

CITY OF DAYTON, OHIO

**Independent Auditors' Reports on
Compliance and Internal Controls
and Schedule of Expenditure of Federal Awards**

December 31, 2006



Mary Taylor, CPA
Auditor of State

To the Honorable Members of the City Commission
City of Dayton
101 West Third St.
Dayton, OH 45401

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, 2006 to December 31, 2006. 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

May 5, 2008

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CITY OF DAYTON, OHIO

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CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2006

Grantor Agency/Programs	CFDA Number	Project Number	Federal Expenditures
<u>U.S. Dept. of Housing and Urban Development</u>			
Community Development Block Grants/Entitlements Grants	14.218	CB-05-MC-39-0010 CB-06-MC-39-0010	\$ 2,335,020 3,495,032
Subtotal			<u>5,830,052</u>
Emergency Shelter Grants Program	14.231	CS-06-MC-39-0010	293,734
Shelter Plus Care	14.238	OH-16-C-50-5016 OH-16-C-30-5001 OH-16-C-40-5001 OH-16-C-50-5001	1,719,415 92,631 149,170 27,741
Subtotal			<u>1,988,957</u>
HOME Investment Partnerships Program	14.239	M-06-MC-39-0205 M-02-MC-39-0205 M-03-MC-39-0205 M-04-MC-39-0205 M-05-MC-39-0205	171,196 44,940 332,285 698,393 167,815
Subtotal			<u>1,414,629</u>
Fair Housing Assistance Programs-State and Local	14.401	FF-205-K-04-5019 FF-205-K-06-5019	2,663 6,288
Subtotal			<u>8,951</u>
Brownfield Economic Development Incentive	14.246	B-03-SP-OH-0609	98,701
Special Project - Economic Development Initiative	14.251	B-04-SP-OH-0614	<u>346,050</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 9,981,074</u>
<u>U.S. Department of Justice</u>			
<i>Passed-through Ohio Emergency Management Agency</i> Homeland Security Exercise Pass-thru	16.007	S04-HXP2-WC-0285	\$ 2,587
<i>Passed-through Ohio Office of Criminal Justice Services</i> Byrne Formula Grant Program	16.579	2005-DJ-BX-1240	138,250
Community Prosecution & Project Safe Neighborhoods	16.609	2003-PS-PSN-301A	122,763
Domestic Violence Against Women	16.590	2005-WE-AX-0017	335,953
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1031	<u>151,683</u>
Total U.S. Department of Justice			<u>\$ 751,236</u>
<u>U.S. Department of Health and Human Services</u>			
Metropolitan Medical Response - Fire	97.071	2005-GE-T5-0001	<u>\$ 76,983</u>
Total U.S. Department of Health and Human Services			<u>\$ 76,983</u>

(Continued)

See accompanying notes to schedule.

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2006
(Continued)

Grantor Agency/Programs	CFDA Number	Project Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	3-39-0029-43-02	\$ 141,320
		3-39-0029-44-02	175,309
		3-39-0029-46-03	182,074
		3-39-0029-48-03	163,572
		3-39-0029-49-04	225,458
		3-39-0029-50-04	1,457,570
		3-39-0029-51-05	1,008,964
		3-39-0029-52-05	455,516
		3-39-0029-53-05	2,814,468
		3-39-0029-55-06	211,523
		3-39-0029-56-06	387,237
		3-39-0029-57-06	4,015
		3-39-0030-07-05	76,544
Subtotal			<u>7,303,570</u>
State and Community Highway Safety	20.600	LEO-2006-57-00-00-00607	47,138
		HVEO-2007-57-00-00-00334-00	5,725
Subtotal			<u>52,863</u>
Federal Transit Cluster:			
Operating Formula Grants	20.507	5394-5393-05	35,600
Capital Investment Grants	20.500	not available	12,000
Total Federal Transit Cluster			<u>47,600</u>
<i>Passed-through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	PID 22500	73,514
		PID 22498	166,997
		PID79222	349,067
		PID 23747	142,728
		PID 23520	1,395,808
		PID 75415	29
		PID 77861	51,216
		PID 75312	892,961
		PID 80024	206,213
		PID 23519	42,714
		PID 24499	129,631
Subtotal			<u>3,450,878</u>
Total U.S. Department of Transportation			<u>\$ 10,854,911</u>
<u>U.S. Environmental Protection Agency</u>			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96558301-0	\$ 131,968
Total U.S. Environmental Protection Agency			<u>\$ 131,968</u>

(Continued)

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2006
(Continued)

Grantor Agency/Programs	CFDA Number	Project Number	Federal Expenditures
<u>U.S. Department of Commerce</u>			
Investment for Public Works & Economic Development Facilities Grant	11.300	06-01-04632	\$ 171
Total U.S. Department of Commerce			\$ 171
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-08028	\$ 147,252
Total U.S. Department of Homeland Security			\$ 147,252
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 21,943,595

See accompanying notes to schedule.

CITY OF DAYTON, OHIO

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2006

1. Basis of Presentation

The accompanying Schedule of Federal Awards has been 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, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

**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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2007. 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 2006-001 through 2006-4, 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.

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 2006-001 and 2006-003 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 October 30, 2007.

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

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
October 30, 2007



Clark, Schaefer, Hackett & Co.
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BUSINESS CONSULTANTS
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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

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 for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 for the year ended December 31, 2006.

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. 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 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.

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 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 such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Federal Awards

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, 2006, and have issued our report thereon dated October 30, 2007. 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 is presented for the purpose of additional analysis as required by OMB Circular A-133 and is 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.

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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
October 30, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

CITY OF DAYTON
DECEMBER 31, 2006

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified						
(d)(1)(ii)	Was there any material weaknesses reported at the financial statement level (GAGAS)?	Yes						
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes						
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No						
(d)(1)(iv)	Was there any material weaknesses reported for major federal programs?	No						
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No						
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified						
(d)(1)(vi)	Are there any reportable findings under §.510?	No						
(d)(1)(vii)	Major Programs (list):	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Program</u></th> <th style="text-align: left;"><u>CFDA#</u></th> </tr> </thead> <tbody> <tr> <td>Community Development Block Grant - Entitlement</td> <td>14.218</td> </tr> <tr> <td>Airport Improvement Grants</td> <td>20.106</td> </tr> </tbody> </table>	<u>Program</u>	<u>CFDA#</u>	Community Development Block Grant - Entitlement	14.218	Airport Improvement Grants	20.106
<u>Program</u>	<u>CFDA#</u>							
Community Development Block Grant - Entitlement	14.218							
Airport Improvement Grants	20.106							
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$658,308 Type B: All others						
(d)(1)(ix)	Low Risk Auditee?	No						

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2006-001: Bank Reconciliation Process

The monthly reconciliation of the balance per the accounting records to the City's deposit and investment account is a critical control to ensure cash receipts and disbursements are being processed throughout the month are accurate and complete. The December 31, 2006 bank reconciliation for the City includes a significant amount of unallocated deposits which represents monies received but have not yet been posted to the appropriate fund. In some instances, these deposits have remained unallocated for a six-month period of time or longer. Furthermore, the City could not provide a cash reconciliation which agreed to the cash balance reported on the trial balances until July 2007.

Unallocated deposits results in assets of respective funds being underreported as well as keeping available cash from being obligated. The lack of a timely reconciliation of the bank balance to the recorded fund balance increases the risk that an error in the posting of cash receipts and disbursements will be detected by the City in a timely manner.

While the City appears to have taken steps over the past years to improve the cash reconciliation process, additional efforts need to be focused on resolving the unallocated deposits issue as well as the timeliness of the reconciliation process.

Management Response:

The cash reconciliation process is composed of 15 components which include the City of Dayton's Investment Portfolio, Payroll, Accounts Payable, Treasury, Accounts Receivable, Wire In Transfers, Wire Out Transfers, and eight ZBAs (Zero Balance Accounts). Thirteen of the fifteen components reconcile with adequate supporting documentation. The remaining components that do not provide adequate detail require computer system enhancements. The City is working to prepare these programming changes. The City will develop a process to apply unallocated deposits more quickly.

Finding 2006-002: Audit Adjustments

During the course of our audit, we identified a misstatement in the financial statements for the year under audit which was not initially identified by the City's internal controls over financial reporting. The amount reported as income taxes receivable at December 31, 2006 was based on the actual income tax receipts collected by the City in first three months of 2007 which related to tax year 2006 and before. This practice is not consistent with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The City revised the amount reported on the financial statements for income taxes receivable as of December 31, 2006.

Management Response:

We agree that a receivable for derived tax revenues, such as income taxes, should be recorded in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first, in accordance with GASB 33. The City is dedicated to preparing financial statements in a timely manner and our current policy allows for that. In an effort to satisfy this finding, for future financial statements, we will modify our policy of recording income tax receivable to include both a review of actual tax collections for the first three months of the subsequent year and an estimate of taxes imposed for the previous fiscal year but not yet collected as of April 1st of the current year.

Finding 2006-003: Financial Accounting System

The City's does not appear to be fully utilizing the capabilities of its current accounting system or that the system itself is not adequate to account for municipal operations and finances. A significant number of manual journal entries are needed to properly report or classify certain transactions in the system. In addition, to retrieve certain information from the system, the City must go through a series of steps to identify individual transactions. Furthermore, manual reconciliation processes are used to ensure amounts posted to the City's general accounting system agree with the subsidiary systems.

The number of manual journal entries used 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. In addition, documentation could not be provided to ensure the necessary manual reconciliation of income tax postings per the general accounting system agreed with the amounts reported by the income tax system.

The City should consider consulting with the vendor that supports its accounting system application to determine if changes in procedures can be made to improve the operational efficiency of the system to limit the number of manual entries required as well as establishing an adequate audit trail between the general accounting system and the subsidiary systems to ensure cash receipts are accurately posted.

Management Response:

The City of Dayton operates several subsidiary revenue systems that interface into the primary general ledger system, i.e. Income Tax, Water, and Trade Receivable systems. Prior to 2006 two of the three systems mentioned automatically interfaced into the City's primary financial system. However one of the subsidiary systems required manual transactions. Some of the manual transactions were recorded in the primary system daily and other transactions were recorded monthly. The City hired a consultant in 2007 to modify this subsidiary system. Those transactions are now being automatically interfaced into the City's primary financial system.

Daily monitoring of batch totals for each of the systems mentioned is performed. As variances are discovered, staff moves quickly to resolve them. Audit trails between the subsidiary systems and the primary financial system do exist and have been in place well prior to 2006. Although it may require a series of steps, adequate documentation to verify reconciliation of any of the three systems is available and can be retrieved from the subsidiary systems.

The City is not in a position at this time to replace its general ledger system.

Finding 2006-004: Information Technology Systems Controls

There were areas noted during the review of the controls and security measures in place related to the City's information systems which need to be strengthened to ensure financial transactions are initiated, authorized, processed and reported in a reliable manner. The areas noted include the following:

- a) Programmers/System Analysts have access to the production environment for the water, tax and treasury applications and are allowed to promote programming changes to the production environment which increases the risk of unauthorized programming changes to the production environment, resulting in the loss of integrity (accuracy and completeness) of the financial data and the circumvention of normal quality controls.

Controls should be strengthened to ensure that changes are implemented independently of the developer and only after the necessary review and approval processes have taken place.

Management Response:

The City of Dayton has reorganized its Information Technology functional unit under the Department of Central Services. In 2007, the City commissioned an independent consultative review of Information Technology ("IT") operations. Both the 2006 fiscal year audit procedure, as well as the report of the independent consultant, has clarified the need for the Division of IT to enhance many operational aspects of the services it provides, including this specific issue. Procedures targeted at mitigating the risks reported in the draft audit report are already being researched, discussed and assessed for feasibility and viability as a lasting solution. This effort will continue and will ultimately be addressed as part of a strategic planning process to be conducted on behalf of the IT Division by mid-year, 2008.

- b) Twelve users have system administrator privileges on the Oracle accounts receivable system, including one user who no longer works in the Finance or ITS departments. Such access privileges allow users full access to the application and permits circumventing of the segregation of duties principles.

The City should review the privileges of the users in the Oracle accounts receivable system, as well as all other applications, on a timely basis to ensure privileges are appropriate for the job functions of the respective users. In addition, system administrator privileges should be authorized to users with valid business purposes only.

Management Response:

The City has reviewed the privileges of the users in the Oracle accounts receivable system. Two system administrator accounts have been deleted. The remaining accounts are needed for Finance staff or are either systems accounts (created by the system as part of the installed package), or are registered to IT staff responsible to administer the City's A/R systems.

- c) There is currently no automated procedure to check for duplicate transactions posted from the treasury to the tax and water applications which increases the risk that duplicate transactions could be posted and result in the loss of data integrity (accuracy and completeness) of the financial data.

Management should implement automated duplicate transaction checks before financial information is posted from the treasury to the tax and water applications.

Management Response:

The issue is not a duplicate transaction process from Treasury to Tax and/or Water systems. We believe the issue is that there are no edits in the treasury application that check to determine if a transaction has been posted to the Banner G/L. In other words, when Treasury posts transactions to the Banner system, there is no system functionality that marks those transactions as having been posted. The risk is that should Treasury pull the same transactions and attempt to again post them, there is nothing in the system to either prevent, or warn against the duplicate posting.

Resolution of this issue is incomplete. Analysts are presently evaluating relative processes for the purpose of recommending adequate and appropriate remedial protocols. These will likely include requirements for treasury application and systems enhancements and/or modifications. This item remains on the list of activities to be coordinated in 2008. The IT Division is committed to regularly meeting with Finance Department personnel to continue to prioritize on-going projects, such as these.

- d) The accounts receivable application is currently hosted on the Oracle database Version 7.3.3 which is no longer being supported by Oracle which increases the risk that any issues encountered with the database may render the accounts receivable application inoperable for a significant time period due to lack of support.

The City should consider upgrading the Oracle database version used for the accounts receivable application.

Management Response:

A corrective project is presently under evaluation. A cross-functional (Finance Department and IT Division) team has been established. Users from both Departments attended the 2007 Banner Users' Forum, where they received sound information on how the ACS A/R module within the Banner Finance system could be effectively deployed as a replacement for the existing Oracle A/R application. Additionally, the City of Dayton hosted a representative of ACS for three days last year to work through the development of a migration plan to see this course of action through. A series of planning and implementation meetings are already scheduled to continue to address this issue until it is satisfied.

3. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported

SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF DAYTON
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected	Not corrected; partially corrected; significantly different corrective action taken; or finding no longer valid. Explain:
05-01	Unallocated bank deposits noted in the December 31, 2005 bank reconciliation which could not be traced to supporting documentation	No	Repeated as Finding 2006-001
05-02	Unreconcilable difference included in the Municipal Court's cash reconciliation.	Yes	No such difference noted for current audit.
05-03	Water/Sewer Subsidiary ledgers could not produce monthly aging reports by individual customer and collection of all utility receipts posted to Water fund with manual entries needed to distribute receipts to appropriate funds.	Yes	<p>The City was able to provide a series of reports that reported aged receivable amounts per customer and is working at developing one report which would provide this information.</p> <p>The manual disbursement of utility receipts out of the water fund to other utility funds is no longer necessary as a system was modified and receipts are now posted to the proper fund upon receipt.</p>
05-04	Departmental payroll clerks have ability to change payroll data without notifying the payroll department.	Yes	While the opportunity to perform the noted changes continued into 2006, the City instituted procedures to ensure the integrity of the payroll data through processing. In 2007 the City began utilizing an automated time and attendance reporting system which will further reduce the ability of department personnel from editing payroll information.
05-05	The City's procedures to prepare the annual schedule of expenditures of federal awards were inadequate.	No	Partially Completed – The City instituted new procedures in preparing the federal schedule however the implementation of these new procedures resulted in a delay in preparing the 2006 federal schedule. In addition, the schedule was corrected to remove a program that did not belong on the City's federal schedule. See Management Letter Comment.



CITY OF DAYTON, OHIO
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006

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, 2006**

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CITY OF DAYTON, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006**

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October 31, 2007

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, 2006. State law requires that every general-purpose local government publish a complete set of audited financial statements annually. The CAFR was prepared using Generally Accepted Accounting Principals (GAAP) as applied to governmental units and contains all disclosures necessary to enable the reader to understand the City's financial affairs. Responsibility for both the accuracy of the data and completeness and fairness of the presentation rests with the management of the City.

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

The City's Charter, Sections 44 and 78, prescribes the required accounting, audit and examination procedures for the City of Dayton. Clark, Schaefer, Hackett & Co., 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.

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). Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The City's MD&A, which focuses on the government-wide statements, can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF DAYTON

Dayton was founded on April 1, 1796 by a small group of U.S. 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.

In 1913, Dayton was the first large city to adopt the Council-Manager form of government. The Dayton City commission is comprised of the Mayor and four City Commissioners. They are elected at-large on a non-partisan basis for four-year overlapping terms. All policy items are decided by the City Commission, which is empowered by the City Charter to pass ordinances and resolutions, adopt regulations and appoint the City Manager. The City Manager manages 16 City departments employing 2,796 people.

Dayton is a city in southwestern Ohio, United States. It is the county seat and largest city of Montgomery County. As of the 2005 census estimate, the population of Dayton was 158,873. The Dayton metropolitan area, or Greater Dayton, which includes the communities of Vandalia, Trotwood, Kettering, Centerville, Beavercreek, Fairborn, West Carrollton, Huber Heights, Troy, and Miamisburg, had a population of 843,577 as of the 2005 estimate. Dayton is situated within the Miami Valley region of Ohio, just north of the Cincinnati metropolitan area.

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 seven 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 and the Miami Township-Dayton JEDD.

The annual budget serves as the foundation for the City of Dayton's financial planning and control. The council is required to adopt a final budget by no later than the close of the fiscal year. The budget is prepared by fund, function and department. Department heads may make transfers within a department.

LOCAL ECONOMY

The City of Dayton was nicknamed the "*Gem City*" in the 1840's for the town's wealth, refinement, enterprise, and a beautiful country, beautifully developed. For hundreds of years this has been true. Inventors from the City of Dayton have given the world the airplane, the automobile self-starter, the cash register, food for the astronauts, micro-encapsulation and major components for the Gemini and Apollo flights. The City's area is known as a leader in the production of many products, including business machines, business forms and automotive parts. The area has one of the highest per capita concentrations of scientific and technical personnel in the State.

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, Reynolds & Reynolds, Liberty Bank, Standard Register, WorkflowOne (formally Relizon), Huffly Bicycles, and LexisNexis.

Most recently, the City of Dayton has begun to feel the long effects of the decline of the Nation's need for manufacturing cities. As the City continuously faces this transition, it has plans for transforming itself to a city that will once again reflect the Economic heart beat of the Nation. The City of Dayton will make this happen by developing itself around the needs of Healthcare and Technology industries, which is not only a need of Dayton, Ohio but the World at large.

During the 2006 fiscal year, much of the economic news of late has been negative and, unfortunately, 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. For instance, the region was very successful in the latest Base Realignment and Closure (BRAC) round and is slated to gain hundreds, if not thousands, of new high-skilled jobs in the areas of aerospace medicine and sensors technology. Additionally, the health care sector continues to be a strong performer. The Community Blood & Tissue Center, which provides human tissue for over 2,000 hospitals and physicians nationwide, has not only made a sizable investment in its downtown headquarters in recent years, it also has expanded its workforce and plans additional investment in its headquarters.

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. 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 resources 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.

The City will utilize the 2005 Strategic Financial Plan's three major focus areas: Right-Sizing the City Government, Sharing Service Region Wide, and Future Investing. An initiative from each is addressed below:

Right-Sizing the City Government

Dayton's City government has been reducing personnel and postponing capital infrastructure and equipment replacements to balance its annual budgets since 1998. As a result of these reductions, the General Fund has decreased by 20% from 1998 to 2005. This is currently done through the process of attrition.

Sharing Service Region Wide

The City of Dayton has again reached out its arms to neighboring communities. In 2006, the City of Dayton entered into a HUD Consortium with the City of Kettering. This initiative maximizes the Home Investment Partnership Dollars received by the two communities.

Future Investing

The strategic plan is for Dayton to take part of the Region's economical and financial growth. One innovative way to achieve this goal is working with other Communities by maximizing revenue growth from and income tax perspective. This is in place with Butler Township through the creation of Joint Economic Development District (JEDD). Effective January 1, 2006, the City of Dayton Division of Revenue and Taxation administered the Joint Economic Development District (JEDD) 1.75% income tax in partnership with Miami Township. The District encompasses the Dayton Wright Brothers Airport; east to Washington Church Road and south of the airport to the Miami Township limits.

RELEVANT FINANCIAL POLICIES

The City's long-standing policy is to maintain a General Fund reserve (unrestricted, GAAP) of 10% to 20% of revenues. During the previous 10 years, the City's General Fund GAAP reserve has averaged 27% of revenues. The City Commission's policy is to apply the General Fund balance only to the following limited purposes: one-time strategic investments yielding a significant number of jobs; one-time strategic investments in technology to reduce operating costs; and, to weather a recession or economic shock during a maximum 18-month period. 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. Due to prudent fiscal management and open communication with our citizens, the measure passed by an overwhelming 85 percent. 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. This is truly a remarkable achievement.

MAJOR INITIATIVES

One of the most defining elements of our bright future involves Ball Park Village, which was announced last November. This unprecedented \$230 million dollar development project affects a large part of the downtown riverfront property around Fifth-Third Field. This project has the potential to transform the downtown landscape to a degree few people have thought possible.

The decision by CareSource to build a new \$55 million headquarters in downtown Dayton, which means about 500 new jobs over the next few years. The City of Dayton, the Downtown Dayton Partnership and the Dayton-Montgomery County Port Authority worked with CareSource for nearly two years to resolve the company's long-term space needs. We are thrilled that the company has decided to grow and invest downtown in the years ahead. Their recommitment to the center city is excellent news for downtown's resurgence and for one of this region's most important industries – health care.

AWARDS AND ACKNOWLEDGEMENTS

This was the 24th 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, 2005. 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 2006 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 2006 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.

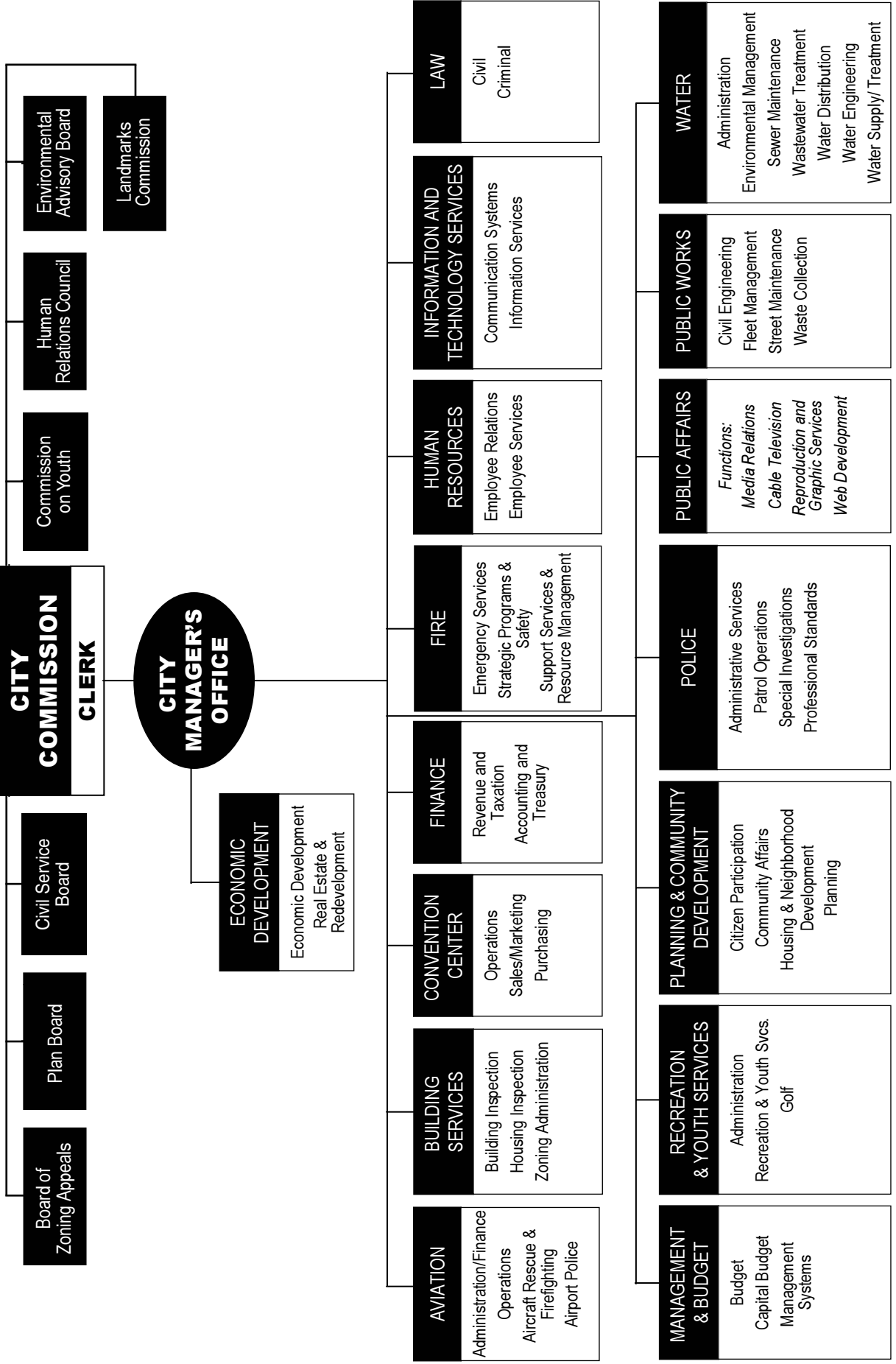
Respectively submitted,



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

Organization of the City of Dayton

Citizens of Dayton



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, 2005

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



President

Executive Director



Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

www.cshco.com

Independent Auditors' Report

Members of the City Commission
City of Dayton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Ohio (the City) as of and for the year ended December 31, 2006, 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, 2006, and the respective change in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007 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.

Management's Discussion and Analysis on pages 13 through 38 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 inquires 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.

C. Larke, Schaefer, Hackett & Co.

Springfield, Ohio
October 30, 2007

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. 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 2006 are as follows:

- The total net assets of the City increased \$44,515,306. Net assets of governmental activities increased \$20,144,911 or 5.95% over 2005 and net assets of business-type activities increased \$24,370,395 or 5.31% over 2005.
- General revenues accounted for \$166,804,039 or 74.76% of total governmental activities revenue. Program specific revenues accounted for \$56,304,281 or 25.24% of total governmental activities revenue.
- The City had \$202,901,909 in expenses related to governmental activities; \$56,304,281 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$146,597,628 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$166,804,039.
- The general fund had revenues of \$172,203,939 in 2006. This represents an increase of \$575,216 from 2005 revenues. The expenditures and other financing uses of the general fund, which totaled \$179,414,323 in 2006, increased \$10,297,341 from 2005. The net decrease in fund balance for the general fund was \$7,210,384 or 16.18%.
- The debt service major fund had \$12,277,044 in revenues and other financing sources and \$10,494,556 in expenditures in 2006. The fund balance in the debt service was \$15,080,926, a 13.40% increase from 2005.
- The capital improvement major fund had \$15,585,068 in revenues and \$18,015,405 in expenditures in 2006. The capital improvement fund also had a transfer in of \$9,837,164 from the general fund. The fund balance for the capital improvement fund increased \$7,406,827 or 43.96%.
- 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 2006 by \$24,370,395. This increase in net assets was due primarily to capital contributions received from passenger facility charges and intergovernmental grants and subsidies coupled with adequate charges for services revenue to cover operating expenses.
- The Dayton International Airport enterprise fund had \$41,820,112 in operating revenues and \$35,806,359 in operating expenditures in 2006. The Dayton International Airport enterprise fund also had non-operating revenues of \$2,627,525, non-operating expenditures of \$3,370,599 and capital contributions of \$15,408,247. The net assets of the Dayton International Airport enterprise fund increased \$20,678,926 or 11.18%.
- The Water enterprise fund had \$47,088,482 in operating revenues and \$44,893,419 in operating expenditures in 2006. The Water enterprise fund also had non-operating revenues of \$1,013,418 and non-operating expenditures of \$548,503. The net assets of the Water enterprise fund increased \$2,659,978 or 1.79%.
- The Sewer enterprise fund had \$32,379,198 in operating revenues and \$31,480,191 in operating expenditures in 2006. The Sewer enterprise fund also had non-operating expenditures of \$981,024. The net assets of the Sewer enterprise fund decreased \$82,017 or 0.08%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

- In the general fund, the actual revenues and other financing sources came in \$2,187,137 higher than they were in the final budget and actual expenditures and other financing uses were \$9,611,036 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$635,400 from the original to the final budget due primarily to an increase in charges for services and investment income. Budgeted expenditures and other financing uses increased \$15,645,300 from the original to the final budget as a result of an increase to transfers.

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 2006?" 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, 2006

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 21.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major and nonmajor funds. The City's major governmental funds are the General fund, Debt service fund and Capital Improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 44-48 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 50-59 of this report.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 60 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 63-110 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 2006 compared to 2005:

	Net Assets					
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2005</u>	Total <u>2006</u>	Total <u>2005</u>
<u>Assets</u>						
Current and other assets	\$ 172,783,578	\$ 166,679,777	\$ 151,367,470	\$ 140,919,847	\$ 324,151,048	\$ 307,599,624
Capital assets, net	<u>305,557,308</u>	<u>298,542,014</u>	<u>440,037,033</u>	<u>439,608,571</u>	<u>745,594,341</u>	<u>738,150,585</u>
Total assets	<u>478,340,886</u>	<u>465,221,791</u>	<u>591,404,503</u>	<u>580,528,418</u>	<u>1,069,745,389</u>	<u>1,045,750,209</u>
<u>Liabilities</u>						
Long-term liabilities						
outstanding	83,588,334	92,326,462	99,915,647	105,505,280	183,503,981	197,831,742
Other liabilities	<u>36,191,999</u>	<u>34,479,687</u>	<u>8,523,168</u>	<u>16,427,845</u>	<u>44,715,167</u>	<u>50,907,532</u>
Total liabilities	<u>119,780,333</u>	<u>126,806,149</u>	<u>108,438,815</u>	<u>121,933,125</u>	<u>228,219,148</u>	<u>248,739,274</u>
<u>Net Assets</u>						
Invested in capital						
assets, net of related debt	242,926,214	228,383,145	346,386,163	328,655,724	589,312,377	557,038,869
Restricted	71,779,813	65,403,080	-	-	71,779,813	65,403,080
Unrestricted	<u>43,854,526</u>	<u>44,629,417</u>	<u>136,579,525</u>	<u>129,939,569</u>	<u>180,434,051</u>	<u>174,568,986</u>
Total net assets	<u>\$ 358,560,553</u>	<u>\$ 338,415,642</u>	<u>\$ 482,965,688</u>	<u>\$ 458,595,293</u>	<u>\$ 841,526,241</u>	<u>\$ 797,010,935</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by \$841,526,241. At year-end, net assets were \$358,560,553 and \$482,965,688 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, 2006**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 69.70% 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, 2006, were \$242,926,214 and \$346,386,163 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, 2006, 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, \$71,779,813, 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 \$43,854,526 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 2006 and 2005.

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CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2005</u>	Total <u>2006</u>	Total <u>2005</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 28,349,225	\$ 29,887,629	\$ 129,481,245	\$ 121,179,898	\$ 157,830,470	\$ 151,067,527
Operating grants and contributions	16,701,482	17,571,173	-	-	16,701,482	17,571,173
Capital grants and contributions	<u>11,253,574</u>	<u>12,149,725</u>	<u>15,408,247</u>	<u>18,926,901</u>	<u>26,661,821</u>	<u>31,076,626</u>
Total program revenues	<u>56,304,281</u>	<u>59,608,527</u>	<u>144,889,492</u>	<u>140,106,799</u>	<u>201,193,773</u>	<u>199,715,326</u>
General revenues:						
Property taxes	21,788,008	20,719,101	-	-	21,788,008	20,719,101
Income taxes	117,876,441	112,169,475	-	-	117,876,441	112,169,475
Unrestricted grants	19,192,977	18,276,100	-	-	19,192,977	18,276,100
Interest	5,084,176	3,383,886	3,640,943	1,537,561	8,725,119	4,921,447
Miscellaneous	<u>2,862,437</u>	<u>3,644,141</u>	<u>-</u>	<u>-</u>	<u>2,862,437</u>	<u>3,644,141</u>
Total general revenues	<u>166,804,039</u>	<u>158,192,703</u>	<u>3,640,943</u>	<u>1,537,561</u>	<u>170,444,982</u>	<u>159,730,264</u>
Total revenues	<u>223,108,320</u>	<u>217,801,230</u>	<u>148,530,435</u>	<u>141,644,360</u>	<u>371,638,755</u>	<u>359,445,590</u>
Expenses:						
Downtown	4,978,385	5,064,225	-	-	4,978,385	5,064,225
Youth, education and human services	1,886,238	2,070,638	-	-	1,886,238	2,070,638
Community development	20,050,274	20,037,194	-	-	20,050,274	20,037,194
Economic development	9,348,825	7,162,137	-	-	9,348,825	7,162,137
Leadership and quality of life	43,411,252	46,407,089	-	-	43,411,252	46,407,089
Corporate responsibility	20,544,073	16,907,149	-	-	20,544,073	16,907,149
Public safety and justice	98,533,695	94,599,294	-	-	98,533,695	94,599,294
Other	1,105,280	2,547,338	-	-	1,105,280	2,547,338
Interest and fiscal charges	3,043,887	3,072,035	-	-	3,043,887	3,072,035
Dayton International Airport	-	-	39,032,293	40,802,335	39,032,293	40,802,335
Water	-	-	45,200,207	44,674,367	45,200,207	44,674,367
Sewer	-	-	32,375,482	28,319,647	32,375,482	28,319,647
Other business-type activity funds:						
Golf	-	-	3,121,707	2,536,878	3,121,707	2,536,878
Storm water	<u>-</u>	<u>-</u>	<u>4,491,851</u>	<u>4,933,239</u>	<u>4,491,851</u>	<u>4,933,239</u>
Total expenses	<u>202,901,909</u>	<u>197,867,099</u>	<u>124,221,540</u>	<u>121,266,466</u>	<u>327,123,449</u>	<u>319,133,565</u>
Increase in net assets before transfers	20,206,411	19,934,131	24,308,895	20,377,894	44,515,306	40,312,025
Transfers	<u>(61,500)</u>	<u>-</u>	<u>61,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>20,144,911</u>	<u>19,934,131</u>	<u>24,370,395</u>	<u>20,377,894</u>	<u>44,515,306</u>	<u>40,312,025</u>
Net assets at beginning of year	<u>338,415,642</u>	<u>318,481,511</u>	<u>458,595,293</u>	<u>438,217,399</u>	<u>797,010,935</u>	<u>756,698,910</u>
Net assets at end of year	<u>\$ 358,560,553</u>	<u>\$ 338,415,642</u>	<u>\$ 482,965,688</u>	<u>\$ 458,595,293</u>	<u>\$ 841,526,241</u>	<u>\$ 797,010,935</u>

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Governmental Activities

Governmental activities net assets increased \$20,144,911 in 2006. This increase is a result of increasing revenues, specifically the property tax revenue, income tax revenue, grants and entitlements and investment income. The expenditures of the governmental activities increased 2.54% primarily in the areas of public safety and justice and corporate responsibility.

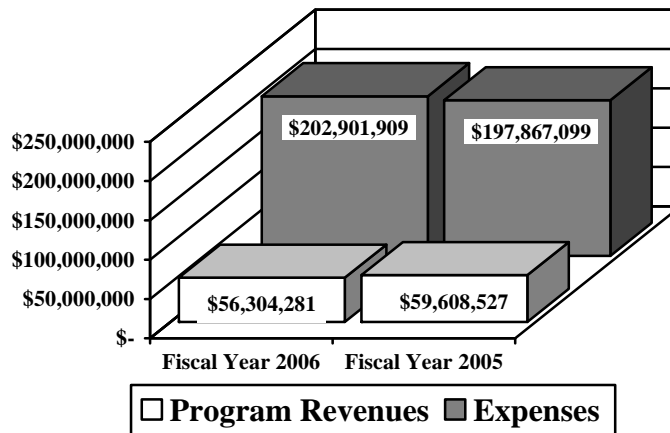
Public safety and justice, which primarily supports the operations of the police and fire departments accounted for \$98,533,695 of the total expenses of the City. These expenses were partially funded by \$16,911,515 in direct charges to users of the services. Leadership and quality of life expenses totaled \$43,411,252. Leadership and quality of life expenses were partially funded by \$4,380,757 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$16,701,482 in operating grants and contributions and \$11,253,574 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,919,006 subsidized leadership and quality of life and \$4,616,400 subsidized community development and neighborhoods. Of the total capital grants and contributions, \$10,506,220 subsidized leadership and quality of life programs and \$706,400 subsidized economic development programs.

General revenues totaled \$166,804,039, and amounted to 74.76% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$139,664,449. 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 \$19,192,977.

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

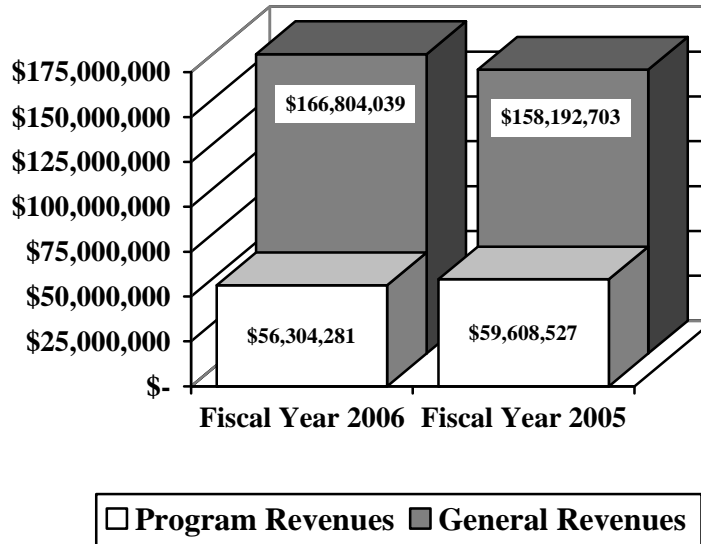
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses:				
Downtown	\$ 4,978,385	\$ 4,472,833	\$ 5,064,225	\$ 4,546,713
Youth, education and human services	1,886,238	502,251	2,070,638	185,002
Community development and neighborhoods	20,050,274	13,188,475	20,037,194	8,229,229
Economic development	9,348,825	6,373,468	7,162,137	3,534,514
Leadership and quality of life	43,411,252	21,605,269	46,407,089	25,762,640
Corporate responsibility	20,544,073	17,204,051	16,907,149	14,434,978
Public safety and justice	98,533,695	80,081,901	94,599,294	76,523,240
Other	1,105,280	125,493	2,547,338	1,970,221
Interest and fiscal charges	<u>3,043,887</u>	<u>3,043,887</u>	<u>3,072,035</u>	<u>3,072,035</u>
Total Expenses	<u>\$ 202,901,909</u>	<u>\$ 146,597,628</u>	<u>\$ 197,867,099</u>	<u>\$ 138,258,572</u>

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

Governmental Activities – General and Program Revenues



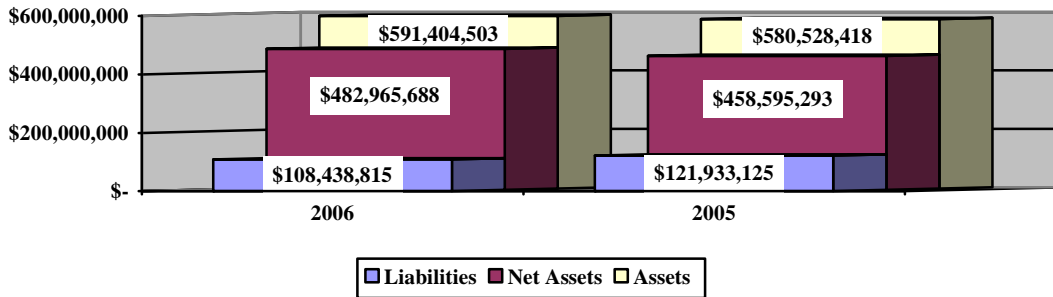
CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Business-Type Activities

Business-type activities include the airport, water, sewer, storm water and golf enterprise funds. These programs had program revenues of \$144,889,492, general revenues of \$3,640,943 and expenses of \$124,221,540 for 2006. 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 44) reported a combined fund balance of \$97,179,278 which is \$5,752,284 higher than last year's total of \$91,426,994. The debt service fund balance includes \$7,280,000 reserved for loans. The capital improvement fund balance includes \$5,395,215 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, 2006 for all major and nonmajor governmental funds.

	Fund Balances 12/31/06	Fund Balances 12/31/05	Increase (Decrease)
Major Funds:			
General	\$ 37,341,954	\$ 44,552,338	\$ (7,210,384)
Debt service	15,080,926	13,298,438	1,782,488
Capital improvement	24,256,830	16,850,003	7,406,827
Other Nonmajor Governmental Funds	20,499,568	16,726,215	3,773,353
Total	\$ 97,179,278	\$ 91,426,994	\$ 5,752,284

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

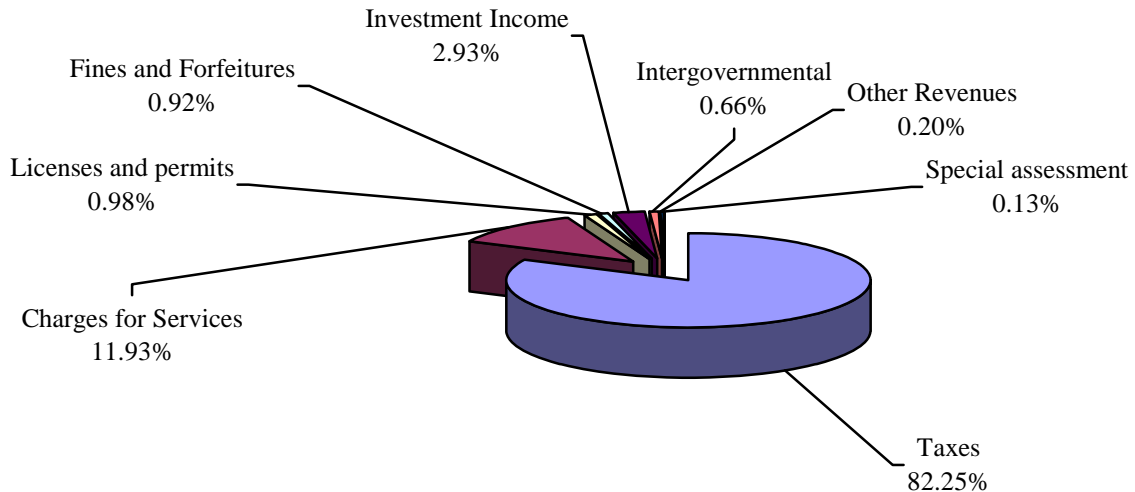
General Fund

The City's general fund balance decreased \$7,210,384 primarily due to an increase in expenditures from 2005 in the amount of \$5,186,649 and only an increase in revenues from 2005 in the amount of \$575,216. Transfers out also increased \$5,110,692 from 2005 due mainly to the transferring of BWC rebate funds to the other special projects and capital improvements funds. The table that follows assists in illustrating the revenues of the general fund.

Revenues			
Taxes	\$ 141,610,814	\$ 138,681,575	2.11 %
Charges for services	20,543,391	20,904,806	(1.73) %
Licenses and permits	1,693,325	1,853,856	(8.66) %
Fines and forfeitures	1,588,473	1,498,577	6.00 %
Investment income	5,051,430	3,451,891	46.34 %
Special assessments	228,267	267,364	(14.62) %
Intergovernmental	1,143,986	1,478,930	(22.65) %
Other	<u>344,253</u>	<u>3,491,724</u>	(90.14) %
Total	<u>\$ 172,203,939</u>	<u>\$ 171,628,723</u>	0.34 %

Tax revenue increased \$2,929,239 or 2.11% due to greater property taxes collected by the City on tax lien sales and an increase in inheritance taxes distributed by the County. Investment income increased \$1,599,539 or 46.34% due to an increase in interest rates of the City investments. All other revenue remained comparable to 2005.

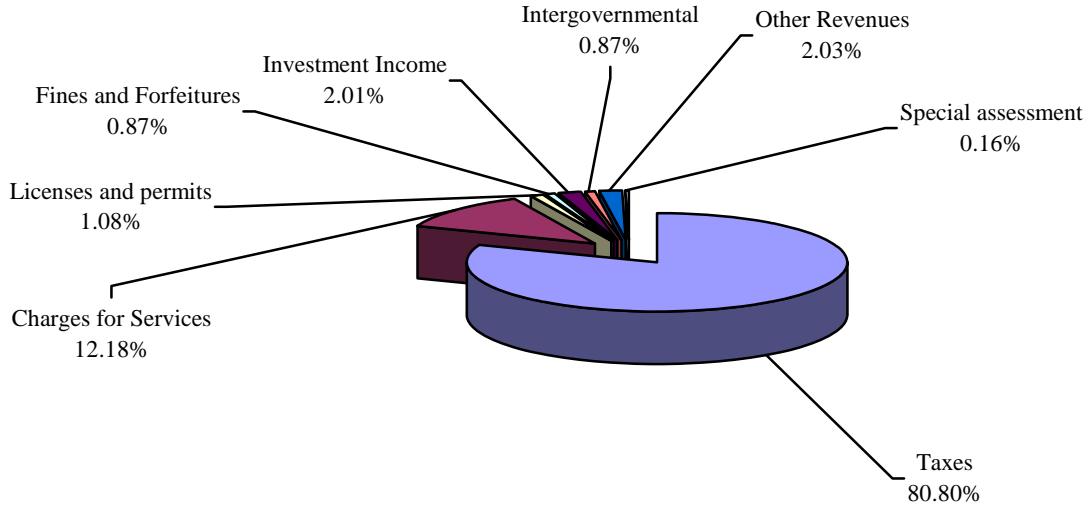
Revenues – Fiscal Year 2006



CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Revenues – Fiscal Year 2005



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

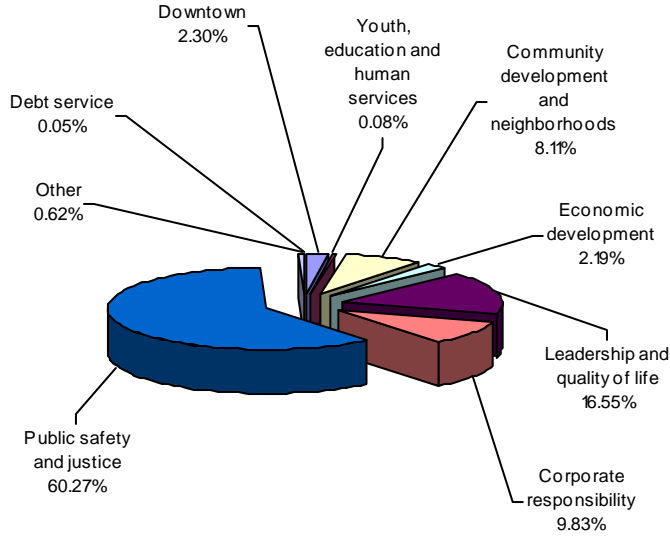
	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Downtown	\$ 3,623,009	\$ 3,533,181	2.54 %
Youth, education and human services	128,955	140,363	(8.13) %
Community development and neighborhoods	12,771,291	11,776,917	8.44 %
Economic development	3,448,571	3,463,212	(0.42) %
Leadership and quality of life	26,083,392	28,382,456	(8.10) %
Corporate responsibility	15,490,179	14,545,724	6.49 %
Public safety and justice	94,980,617	89,655,447	5.94 %
Other expenses	973,450	610,189	59.53 %
Capital outlay	-	164,947	(100.00) %
Debt service	71,296	111,675	(36.16) %
Total	<u>\$ 157,570,760</u>	<u>\$ 152,384,111</u>	3.40 %

The most significant increases were in the areas of public safety and justice, corporate responsibility, community development and other expenses. The increase in public safety and justice can be attributed to an increase of \$728,000 in patrol overtime, a \$1.3 million increase in salaries due to hiring new staff in fire emergency services and other administrative increases. The increase in corporate responsibility can be attributed to an increase in wages and an increase in technology and computer costs. The increase in community development is due to staff increases in the citizen participation organization as well as other costs. The increase in other expenses can be attributed to greater payable accruals at year end. The most significant decrease is in the area of leadership and quality of life. This decrease is due to cultural affairs and parks and recreation decreases made during 2006. All other expenditures remained comparable to 2005.

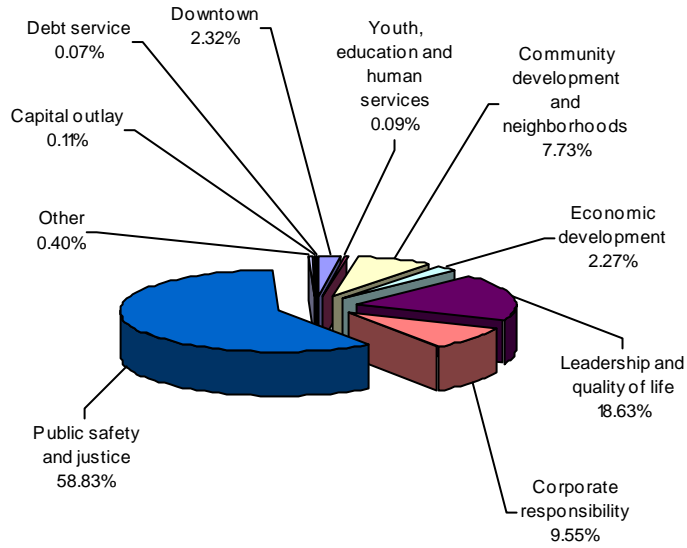
CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Expenditures - Fiscal Year 2006



Expenditures - Fiscal Year 2005



CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Debt Service

The City's debt service fund balance increased \$1,782,488 due mainly to an increase in property tax revenues. The allocation of property tax revenue was changed during 2006, resulting in an increase in property tax revenue in the debt service fund as well as an increase in property tax lien sales during the year. The following tables illustrate the revenues and expenses of the debt service fund. Expenditures decreased due to less principal retirement of debt.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 10,684,074	\$ 8,652,633	23.48 %
Intergovernmental	867,667	982,072	(11.65) %
Special assessments	308,303	280,411	9.95 %
Other	<u>317,000</u>	<u>150,000</u>	111.33 %
Total	<u>\$ 12,177,044</u>	<u>\$ 10,065,116</u>	20.98 %

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Downtown	\$ 560,000	\$ 560,000	- %
Corporate responsibility	835,170	194,744	328.86 %
Other	132,690	217,210	(38.91) %
Principal retirement	5,913,474	8,164,972	(27.58) %
Interest and fiscal charges	<u>3,053,222</u>	<u>3,063,145</u>	(0.32) %
Total	<u>\$10,494,556</u>	<u>\$12,200,071</u>	(13.98) %

The decrease in principal retirement is due mainly to a decrease in principal payments made on capital facilities bonds.

Capital Improvements

The City's capital improvements fund balance increased \$7,406,827 due to a very large increase in grant funding for capital projects entered into by the City.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 1,282,636	\$ 1,173,267	9.32 %
Charges for services	-	18,566	(100.00) %
Licenses and permits	52,817	49,207	7.34 %
Intergovernmental	13,451,162	1,471,995	813.80 %
Special assessments	12,717	12,876	(1.23) %
Investment income	-	105	(100.00) %
Other	<u>785,736</u>	<u>-</u>	100.00 %
Total	<u>\$ 15,585,068</u>	<u>\$ 2,726,016</u>	471.72 %

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

The increase in intergovernmental revenue is mainly attributed to increased grant money received for the TIP Project, Germantown St. Resurfacing, Signal Upgrades, the Findlay Street Bridge rehabilitation and the Dayton Tech Campus. All other revenues remained comparable to 2005.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Change in</u> <u>Dollars</u>
<u>Expenditures</u>			
Capital outlay	\$ 16,997,988	\$17,683,802	\$ (685,814)
Debt service	<u>1,017,417</u>	<u>3,161</u>	<u>1,014,256</u>
 Total	 <u>\$ 18,015,405</u>	 <u>\$17,686,963</u>	 <u>\$ 328,442</u>

The increase in debt service expenditures can be attributed to the City paying off \$1 million of economic development bonds. The decrease in capital outlay can be attributed to less money spent on capital projects during 2006.

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 the City's plans or priorities can change during the year, they cannot be totally reflected in the original budget. For instance, if budgeted revenues are adjusted during the course of the year due to actual activity then the appropriations can be adjusted accordingly. In addition, if funding priorities change during the fiscal year, resources may be reallocated from one activity to fund another, necessitating a corresponding change in budget.

Budgetary information is presented for the general fund on page 48. With respect to changes to the general fund, the final budget reflects revenues that were \$714,900 higher than the original budget. The variance from actual revenues was \$2.9 million for the original budget or 1.7% and \$2.2 million or 1.3% for the final budget. Three revenue categories realized variances in excess of 10%. The first was licenses and permits with actual revenues registering 1.5% under the original budget and conversely 12.5% over the final budget. Revenues picked up pace in final quarter after sluggish growth during the first three-quarters. Fines and forfeitures posted revenues 12.2% over the original budget and 10.3% over the final budget. Parking and traffic fines rebounded nicely during the second half of the year while write-offs for delinquent burglar alarm fines depressed collections during the first half of the year. Consequently, actual collections beat the revised estimate by a sizable amount.

Special assessments were under budget by 14.6% for both the original and revised revenue budgets. This variance represented just a \$38,933 difference from actual recorded revenue and is due to a higher number of delinquencies than projected.

On the expenditure side, actual expenditures were \$5.4 million or 3.3% under the original budget while the final budget was \$4.9 million or 3.0% higher than actual. Youth, education and human services came in under the original and final budget by 61.1% and 58.4%, respectively. Planned expenditures were spent from other categories leaving an unspent balance of over \$200,000. Economic development programs came in under the original and final budget by 10.8%. This variance was due largely to employee attrition and vacant positions. The final expenditure program with a variance in excess of 10% was the "other expenditure" category, which realized a sizable 62.7% favorable variance to the original budget and was 46.2% under the final budget. The original budget included contingency funds that were transferred to the various program areas as such allocations were approved, the largest being for special public safety initiatives, outside legal counsel and executive search expenses. The final variance is a function of allowing some flexibility in contingency funds during the latter part of the year should actual revenues exceed the revised estimate.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Actual operating transfers were greater than the original budget due to the favorable revenue and expenditure variances, which allowed for the transfer of funds to finance much needed capital improvement and development projects as well as investments in technology.

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 50-53) reported a combined net assets of \$482,908,154, which is \$23,860,185 above last year's total of \$459,047,969. The schedule below indicates the net assets and the total change in net assets as of December 31, 2006 for all major and nonmajor business-type funds.

	<u>Net Assets</u> <u>12/31/06</u>	<u>Net Assets</u> <u>12/31/05</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
Dayton International Airport	\$ 205,639,831	\$ 184,960,905	\$ 20,678,926
Water	151,462,711	148,802,733	2,659,978
Sewer	107,041,397	107,123,414	(82,017)
Other Business-type funds	<u>18,764,215</u>	<u>18,160,917</u>	<u>603,298</u>
Total	<u>\$ 482,908,154</u>	<u>\$ 459,047,969</u>	<u>\$ 23,860,185</u>

Dayton International Airport

The City's Dayton International Airport net assets increased \$20,678,926 due mainly to capital contributions made to the fund. The following tables illustrate the revenues and expenses of the Dayton International Airport fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 35,204,238	\$ 34,576,247	1.82 %
Other	<u>6,615,874</u>	<u>5,598,658</u>	18.17 %
Total	<u>\$ 41,820,112</u>	<u>\$ 40,174,905</u>	4.10 %

The increase in charges for services can be attributed to more services provided by the airport mainly in the area of landing fees for the airlines. The increase in other operating revenues can be attributed to an increase in property tax assessment, airline terminal rent and parking lot concessions.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Expenses</u>			
Personal services	\$ 10,563,756	\$ 11,180,510	(5.52) %
Benefit payments	3,595,058	3,637,986	(1.18) %
Contractual services	7,274,862	9,325,979	(21.99) %
Materials and supplies	1,218,261	1,314,692	(7.33) %
Utilities	2,184,482	1,986,376	9.97 %
Depreciation	8,100,939	7,290,655	11.11 %
Other	<u>2,869,001</u>	<u>2,246,230</u>	27.73 %
Total	<u>\$ 35,806,359</u>	<u>\$ 36,982,428</u>	(3.18) %

The increase in depreciation can be attributed to the completion of the Terminal Gate Enhancement project as well as other capital asset additions. The increase in other expenditures is mainly due to a decrease in cash with fiscal agent. The decrease in personal services can be attributed to the City filling more positions which decreased the amount of overtime that was paid to employees. The decrease in contractual services is due to a \$2 million decrease in money spent for aviation construction in progress during 2006.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest revenue	\$ 2,627,525	\$ 1,062,110	147.39 %
Interest expense and fiscal charges	(3,370,599)	(3,424,942)	(1.59) %
Capital contributions	<u>15,408,247</u>	<u>18,926,901</u>	(18.59) %
Total	<u>\$ 14,665,173</u>	<u>\$ 16,564,069</u>	(11.46) %

The increase in interest revenue is due to greater interest rates earned by the City's investments. The decrease in capital contributions is due to the City receiving less grant money during the year.

Water

The City's water fund increased by \$2,659,978 or 1.79%.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 42,226,954	\$ 38,716,222	9.07 %
Other	<u>4,861,528</u>	<u>4,862,282</u>	(0.02) %
Total	<u>\$ 47,088,482</u>	<u>\$ 43,578,504</u>	8.05 %

The increase in charges for services can be attributed to two large rate increases by the City. One change in rates increased certain bills by 35% while the other increased rates 22%.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Expenses</u>			
Personal services	\$ 15,516,268	\$ 15,147,978	2.43 %
Benefit payments	5,329,367	5,200,070	2.49 %
Contractual services	4,650,573	4,999,906	(6.99) %
Materials and supplies	4,366,627	3,553,161	22.89 %
Utilities	6,312,888	6,068,930	4.02 %
Depreciation	5,939,915	5,776,167	2.83 %
Other	<u>2,777,781</u>	<u>2,447,349</u>	13.50 %
Total	<u>\$ 44,893,419</u>	<u>\$ 43,193,561</u>	3.94 %

The increase in materials and supplies is due to an increase in purchases by the City for items that did not meet the \$5,000 capital asset threshold. All other expenses remained consistent from 2005.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest revenue	\$ 1,013,418	\$ 475,451	113.15 %
Interest expense and fiscal charges	<u>(548,503)</u>	<u>(768,479)</u>	(28.62) %
Total	<u>\$ 464,915</u>	<u>\$ (293,028)</u>	(258.66) %

The increase interest revenue can be attributed to greater interest rates received on investments held by the City.

Sewer

The City's sewer fund decreased \$82,017 or 0.08% during 2006 mainly due to increasing expenditures exceeding increasing revenues.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 32,000,393	\$ 27,796,918	15.12 %
Other	<u>378,805</u>	<u>-</u>	100.00 %
Total	<u>\$ 32,379,198</u>	<u>\$ 27,796,918</u>	16.48 %

The increase in charges for services is due to Ordinance 30309-03 which increases rates charged by the City for wastewater services.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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	<u>2006</u>	<u>2005</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Operating Expenses</u>			
Personal services	\$ 5,914,943	\$ 5,881,652	0.57 %
Benefit payments	2,101,039	1,996,338	5.24 %
Contractual services	10,712,917	7,625,209	40.49 %
Materials and supplies	1,762,709	1,496,059	17.82 %
Utilities	2,744,297	2,196,026	24.97 %
Depreciation	7,048,699	7,029,698	0.27 %
Other	<u>1,195,587</u>	<u>636,268</u>	87.91 %
Total	<u>\$ 31,480,191</u>	<u>\$ 26,861,250</u>	17.20 %

The increase in contractual services can be attributed to an increase in contracts entered into by the City's wastewater department. The increase in utilities expense is due to higher energy costs charged to the City. Other operating expenses increased due to larger indirect cost allocation costs during 2006.

	<u>2006</u>	<u>2005</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Nonoperating Expenses</u>			
Interest expense and fiscal charges	\$ (981,024)	\$ (1,188,595)	(17.46) %
Total	<u>\$ (981,024)</u>	<u>\$ (1,188,595)</u>	(17.46) %

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the City had \$745,594,341 (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, \$305,557,308 was reported in governmental activities and \$440,037,033 was reported in business-type activities. See Note 10 in the basic financial statements for additional capital asset disclosure. The following table shows fiscal 2006 balances compared to 2005:

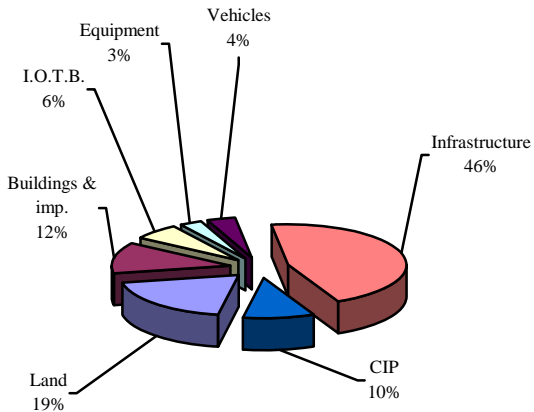
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Business-Type</u>	<u>Total</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2006</u>	<u>2005</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>		
Land	\$ 58,856,590	\$ 57,375,085	\$ 41,467,633	\$ 41,112,012	\$ 100,324,223	\$ 98,487,097
Buildings and improvements	37,519,413	38,935,841	88,974,906	91,457,461	126,494,319	130,393,302
Improvements other than buildings	19,561,128	20,974,458	232,073,522	245,401,710	251,634,650	266,376,168
Equipment	9,274,427	9,212,970	4,036,891	3,788,206	13,311,318	13,001,176
Vehicles	12,395,732	9,879,682	13,614,619	13,918,108	26,010,351	23,797,790
Infrastructure	138,448,429	138,279,018	-	-	138,448,429	138,279,018
Construction in progress	<u>29,501,589</u>	<u>23,884,960</u>	<u>59,869,462</u>	<u>43,931,074</u>	<u>89,371,051</u>	<u>67,816,034</u>
Total	<u>\$ 305,557,308</u>	<u>\$ 298,542,014</u>	<u>\$ 440,037,033</u>	<u>\$ 439,608,571</u>	<u>\$ 745,594,341</u>	<u>\$ 738,150,585</u>

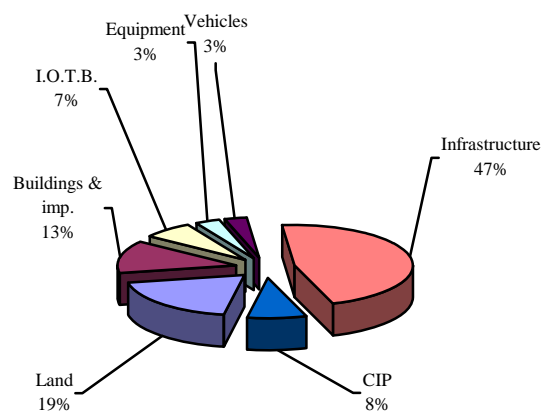
CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

Capital Assets - Governmental Activities 2006



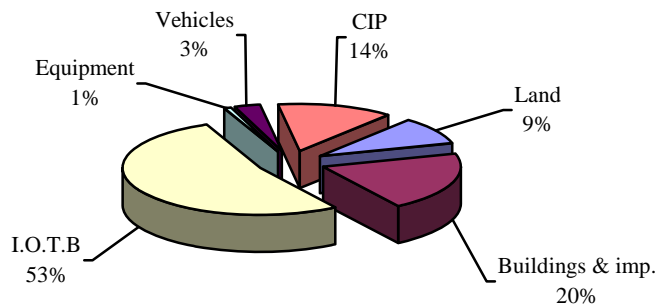
Capital Assets - Governmental Activities 2005



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 46% of the City's total governmental capital assets.

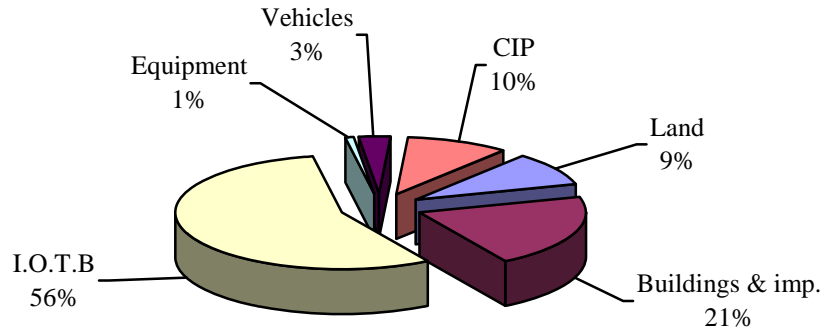
The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.

Capital Assets - Business-Type Activities 2006



CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets - Business-Type Activities 2005



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 53% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
General obligation bonds	\$ 49,727,772	\$ 54,962,646
Revenue bonds	9,500,000	10,955,000
Special assessment bonds	<u>753,500</u>	<u>977,100</u>
Total bonds	<u>59,981,272</u>	<u>66,894,746</u>
Capital lease obligations	<u>2,612,121</u>	<u>3,255,561</u>
Total long-term obligations	<u>\$ 62,593,393</u>	<u>\$ 70,150,307</u>

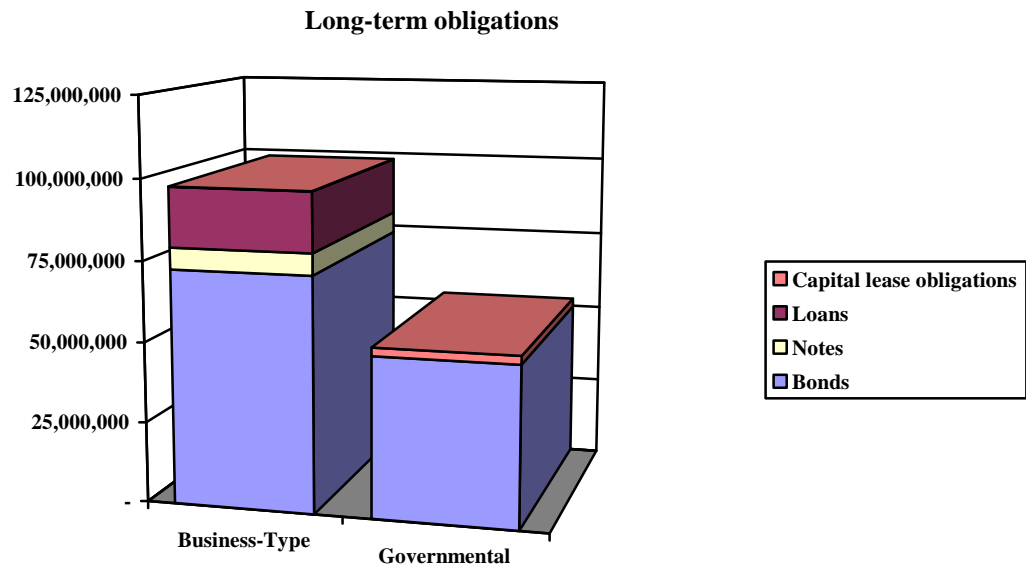
CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	<u>Business-type Activities 2006</u>	<u>Business-type Activities 2005</u>
General obligation bonds	\$ 2,087,228	\$ 2,292,354
Revenue bonds	<u>70,730,000</u>	<u>80,210,000</u>
Total bonds	<u>72,817,228</u>	<u>82,502,354</u>
DIA Long-term Notes	<u>6,715,000</u>	<u>-</u>
Total Notes	<u>6,715,000</u>	<u>-</u>
OWDA loans	17,624,367	21,005,877
OPWC loans	<u>700,000</u>	<u>750,000</u>
Total loans	<u>18,324,367</u>	<u>21,755,877</u>
Capital lease obligations	<u>67,630</u>	<u>132,516</u>
Total long-term obligations	<u>\$ 97,924,225</u>	<u>\$ 104,390,747</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.

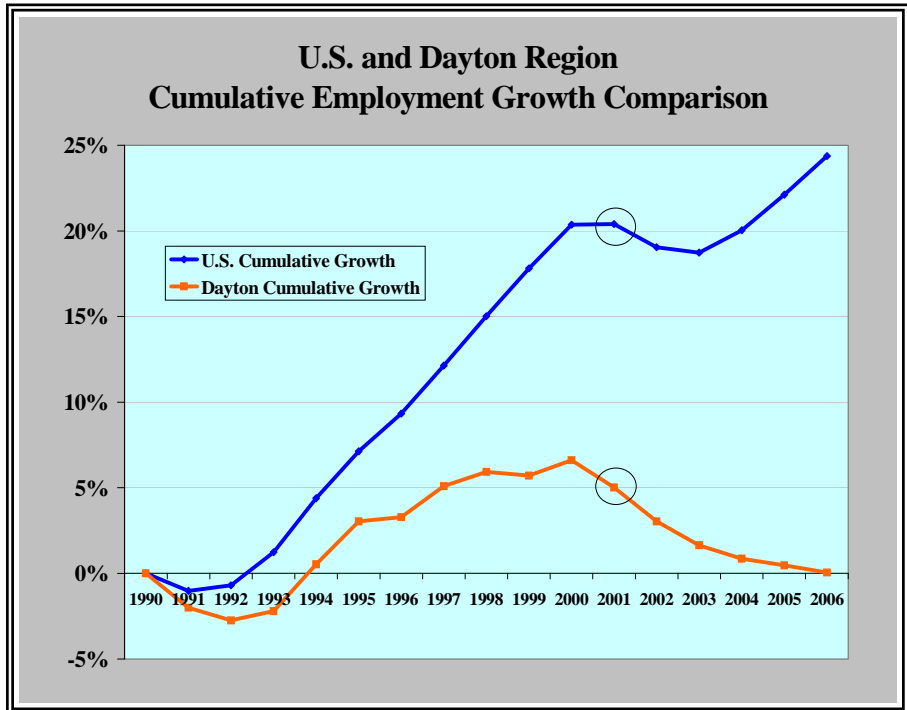


CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Economic Factors and the 2007 Budget

The Dayton regional economy is in the throes of a major structural transition that began decades ago, yet has become increasingly more pronounced in recent years. Case in point, the region has just 200 more jobs in 2006 than it did in 1990, representing a less than 0.1 percent gain, despite unprecedented years of robust growth at the national level. In fact, as the graph to the right illustrates, U.S. jobs over the same period increased by over 24 percent or 26.7 million. Applying the same growth factor to the Dayton metro area would yield an additional 100,000 workers to the region. The transition has been a difficult one, in terms of population loss, stagnant income levels and a shrinking tax base. In fact, over the same period the City's Income Tax collections rose by 31 percent while wage inflation, as measured by the Employment Cost Index, advanced 65 percent. One would expect for wage growth and hence, Income Tax collections, to keep pace with wage inflation, but contraction of the employment base, population shifts and higher tax rates in other jurisdictions have hindered growth. There is much to say



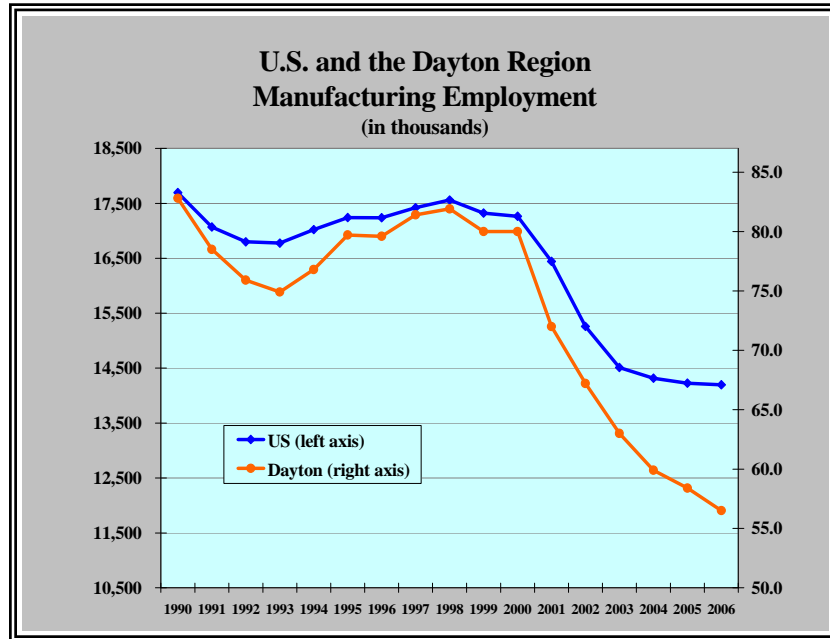
about the economic life of the Dayton community underlying these numbers.

Dayton started out the decade of the nineties with over 20 percent of the economy employed in the manufacturing sector. That was more than 4 percentage points higher than the U.S. as a whole, which employed 16 percent in manufacturing. Over the ensuing 16 years, strong gains in productivity or output per worker reduced the demand for labor at the same time that the global economy offered manufacturers the opportunity to move production offshore where labor costs were relatively lower. Statistics by the Bureau of Economic Analysis show that real output growth by manufacturers in the U.S. and in the Midwest has kept pace with total gross domestic product at the same time that the manufacturing sector's share of income and jobs has been falling.

As it relates to Dayton, a proportionately higher concentration in an industry with increasing productive capacity has translated into the need for fewer workers. Moreover, the substantial presence of General Motors and Delphi Automotive in the region, two companies that are in the process of restructuring with the latter in bankruptcy, has added further vulnerability to an already declining industry. Given these circumstances, the percentage of workers employed in manufacturing dropped from 20 percent or 82,800 in 1990 to just over 56,500 or 13.8 percent in 2006. The adjacent graph shows how the Dayton manufacturing base has tracked the same general trend as the nation but with greater sensitivity to economic cycles. However, a significant divergence has emerged since mid-2003 when national manufacturing employment began to stabilize. In the Dayton region, job counts have continued to fall with more expected in the ensuing months.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Another significant difference with the national economy can be found in the construction sector. Unlike the national economy that realized sizable gains in construction related jobs due to the housing boom, namely 46% or 2.4 million, the Dayton region experienced only modest growth over the last decade. This has fortunately sheltered the region from the significant losses that are being experienced in other areas of the country where the red-hot real estate market has turned ice cold.

Dayton MSA Employment
(in thousands)

Sector	1990	2006	# Chg. from 1990	% Chg. from 1990	Avg. Ann. % Chg.
Natural Resources, Mining & Const.	14.4	15.2	0.8	5.6%	0.3%
Manufacturing	82.8	56.5	-26.3	-31.8%	-2.4%
Wholesale Trade	13.4	14.0	0.6	4.5%	0.3%
Retail Trade	46.4	43.2	-3.2	-6.9%	-0.4%
Transportation & Utilities	10.6	12.9	2.3	21.7%	1.2%
Information	9	10.6	1.6	17.8%	1.0%
Financial Activities	16.8	20.1	3.3	19.6%	1.1%
Prof & Business Services	45.9	52.3	6.4	13.9%	0.8%
Education	8.9	11.1	2.2	24.7%	1.4%
Health & Social Services	21	34.1	13.1	62.4%	3.1%
Hospitals	17.4	19.5	2.1	12.1%	0.7%
Leisure & Hospitality	34.4	37.8	3.4	9.9%	0.6%
Other Services	14	16.4	2.4	17.1%	1.0%
Government	73.3	64.8	-8.5	-11.6%	-0.8%
Total	408.3	408.5	0.2	0.05%	0.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

A closer look at the regional economy shows that long run job losses have been concentrated in three sectors as the table on the preceding page depicts. Already mentioned, the most pronounced loss was in the manufacturing sector followed by government and retail trade, all of which have sustained losses for several years. Certainly, the dramatic loss of manufacturing jobs and stagnant population growth is having an effect on other industries, especially retail.

The reduction in retail sales jobs can be explained by the sluggish growth in the region's personal income and hence, retail sales (despite the fact that we enjoy nearly twice the national average in such establishments). To illustrate this point, the following table shows personal income for the Dayton region compared to that of the U.S. as a whole. As can be seen, the region experienced just over one-half of the growth of the national economy. Additionally, county permissive sales tax collections are shown in the next table for the four counties that make up the Dayton metropolitan area. As the table illustrates, the Dayton region's average growth in retail sales since 1999 is just 1% annually. During the same period, inflation advanced at the rate of 2.8% annually, so retail sales have only kept pace with about one-third of the growth of inflation.

Personal Income
(in thousands of current dollars)

AreaName	2000	2001	2002	2003	2004	2005	Avg. Ann. % Chg.
United States	8,422,074,000	8,716,992,000	8,872,871,000	9,150,320,000	9,716,351,000	10,220,942,000	3.95%
Dayton, OH (MSA)	24,210,487	24,657,688	25,130,233	25,525,598	25,935,393	26,744,477	2.01%

Source: Bureau of Economic Analysis

County Permissive Sales & Use Tax Collections (in millions)

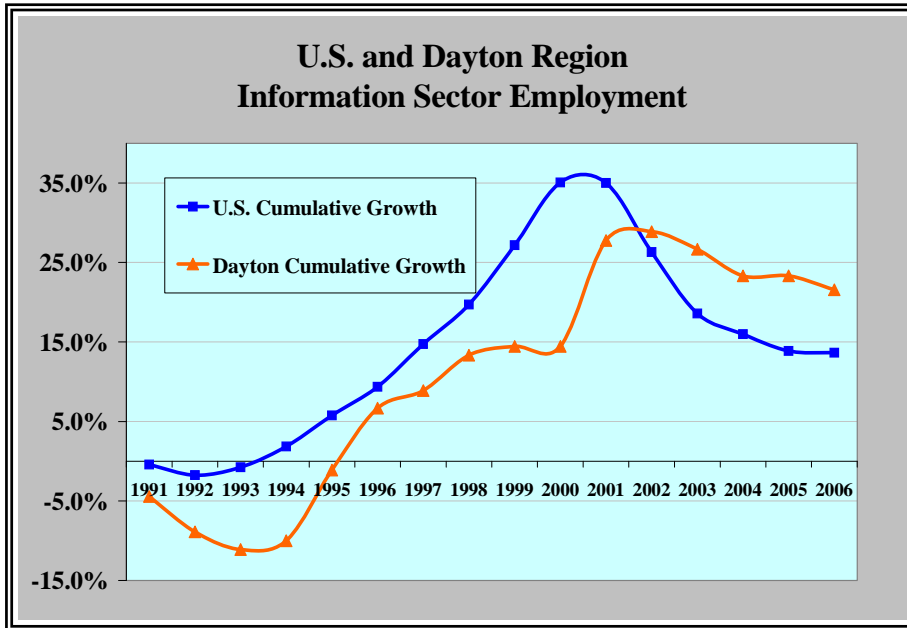
County	Rate	1999	2000	% Chg.	2001	% Chg.	2002	% Chg.	2003	% Chg.	2004	% Chg.	2005	% Chg.	2006	% Chg.	Avg. Ann. % Chg.
Greene	1.00	15.77	16.66	5.7%	17.72	6.4%	18.23	2.9%	18.39	0.9%	19.57	6.4%	19.26	-1.6%	20.41	6.0%	3.8%
Miami	1.00	10.66	9.05	-15.1%	9.15	1.1%	9.61	5.1%	9.65	0.4%	10.45	8.3%	10.40	-0.5%	10.42	0.2%	-0.3%
Montgomery	1.00	62.86	64.10	2.0%	63.94	-0.3%	62.95	-1.5%	64.56	2.6%	65.57	1.6%	65.85	0.4%	64.73	-1.7%	0.4%
Preble	1.50	3.72	3.97	6.5%	3.93	-0.8%	3.79	-3.7%	4.00	5.7%	4.15	3.7%	4.44	6.9%	4.39	-1.1%	2.4%
County Total		93.02	93.78	0.8%	94.74	1.0%	94.58	-0.2%	96.61	2.1%	99.74	3.2%	99.95	0.2%	99.95	0.0%	1.0%
CPI		166.6	172.2	3.4%	177.1	2.8%	179.9	1.6%	184.0	2.3%	188.9	2.7%	195.3	3.4%	201.6	3.2%	2.8%

Source: Ohio Department of Taxation and Bureau of Labor Statistics

The government sector also witnessed declines during the period 1990 to 2006. With lackluster personal income growth, falling job counts and a shrinking tax-base, government decision-makers had no alternative but to reduce employment levels. All levels of government saw declines; however, state government and state government educational services, have rebounded with current employment counts at or exceeding their most recent cycle peaks.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006



Similarly, eleven other sectors created new jobs during these turbulent economic times. First and foremost was the health & social services sector, which expanded employment levels by 13,100 workers or 62.4 percent since 1990. Certainly, growing diagnostic and technological advancements along with an aging of the baby-boomers have catapulted growth in this sector. Professional & business services, a very important contributor to the “new economy”, contributed 6,400 new jobs, representing growth of 13.9% over the last 16 years. Part of this

growth, however, is the result of specialization. In the past, many large companies had their own internal legal counsel, CPAs and consultants. Today, companies are more likely to contract for these specialized services.

The leisure & hospitality industry increased employment levels by 3,400 new jobs while the financial sector grew 19.6 percent or by 3,300 jobs. The remaining services reflected in the “other services” category posted growth of 17.1 percent or 2,400 new jobs and transportation and utilities gained 2,300. Jobs in this sector fell during the second half of 2006, associated with the closure of the UPS hub at the Dayton International Airport. Other sectors that witnessed increases include private education, hospitals, construction and wholesale trade. And the information sector expanded employment levels by 1,600 workers since 1990. One positive sign for the Dayton economy is its strong performance in the information sector. While both the nation and the Dayton region have realized job losses in information, largely attributed to the telecom bust, Dayton has outperformed the nation since 2002 as can be seen in the above graph. This is an encouraging indicator that the Dayton region is transitioning into a knowledge-based economy.

All in all, the region created 38,200 new jobs during the period 1990 to 2006 and lost 38,000. Over the last 12 months (March 2007 over March 2006), the economy has continued this lackluster performance with 2,500 or 0.6% fewer jobs in the region across a majority of industry sectors. Broad-based retrenchment this late in the economic cycle continues to be of great concern.

Underlying these losses is the unfortunate end to a long-standing relationship with the world’s largest auto parts manufacturer—Delphi. After nearly one hundred years of operation in the Dayton region, Delphi, is expected to sell or close 4 of its 5 area plants by mid-2008. Hourly employees represented by the UAW and IUE-CWA who were eligible to retire were offered a lump-sum payment of \$35,000 while cash buyouts of \$140,000 were offered to workers with more than 10 years of service and \$70,000 for workers with less. Still others were given the opportunity to backflow into other hourly GM slots.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

MeadWestvaco announced in February of 2006 that they are moving their headquarters to Richmond, Virginia and with it 500 local jobs. Of the 500, 350 employees are located in the downtown Mead Tower; the remaining 150 are employed in Miami Township. Still later, they announced that their remaining 230 employees would move from downtown to a new location in Kettering, bringing an end to a relationship with Dayton that lasted 150 years. In 2005, MeadWestvaco sold their coated paper products division to private investors to focus on their packaging business. After the divestiture, the new company, NewPage, with its 250 employees, remained in the downtown Mead Tower. Unfortunately, NewPage has decided to build a new 60,000 square foot corporate headquarters in Miami Township and move all of its 250 employees by the Fall of 2007.

The region is also feeling the effects of the recent loss of 1,400 jobs at UPS, 1,100 third shift workers at GM's Moraine assembly plant and 425 employees at the Defense Finance Accounting Service unit in Kettering. As with MeadWestvaco, the closure of the UPS hub at the Dayton International Airport stems from consolidation of operations and, despite being touted as one of the most efficient producers of GM vehicles, production at the Moraine plant was curtailed when demand began to wane.

Much of the economic news of late has been negative and, unfortunately, 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. For instance, a site at the Delphi Home Avenue plant is being redeveloped by the National Composite Center to house the Dayton Campus for Advanced Materials Technology. The Dayton region has applied for, and in some instances already received, investment dollars from the State's Third Frontier program for its growing competency in technology-savvy industries such as high-performance computing, radio-frequency identification (RFID) and sensors.

Notwithstanding the losses already mentioned, the region was very successful in the latest Base Realignment and Closure (BRAC) round and is slated to gain hundreds, if not thousands, of new high-skilled jobs in the areas of aerospace medicine and sensors technology. Last November Mandalay Baseball Properties (owner of the Dayton Dragons) and Bear Creek Capital announced the plans for a \$230 million riverfront development project with retail, office, entertainment and residential components.

Finally, the health care sector continues to be a strong performer. The Community Blood & Tissue Center, which provides human tissue for over 2,000 hospitals and physicians nationwide, has not only made a sizable investment in its downtown headquarters in recent years, it also has expanded its workforce and plans additional investment in its headquarters. CareSource, a full-spectrum provider of services for public-sector healthcare programs, will soon be breaking ground on a new downtown headquarters. In the last few years, CareSource has almost doubled its staff, with plans to grow even more in the near future. Both firms serve the local Dayton market as well as exporting services to the region and beyond.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Primary Government</u>			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Equity in pooled cash and cash equivalents	\$ 89,039,664	\$ 106,362,199	\$ 195,401,863	\$ 1,009,027
Investments	93,758	-	93,758	2,222,564
Receivables (net of allowances for uncollectibles):				
Property and other local taxes	20,610,333	-	20,610,333	-
Municipal income taxes	16,545,469	-	16,545,469	-
Accounts	3,294,323	21,977,884	25,272,207	91,841
Contracts	-	-	-	477,373
Special assessments	1,209,946	865,588	2,075,534	-
Accrued interest	810,452	438,244	1,248,696	1,927,066
Loans	7,280,000	-	7,280,000	19,258,620
Other	-	-	-	173,764
Internal balances	(25,008)	25,008	-	-
Due from other governments	21,679,713	1,170,111	22,849,824	-
Prepayments	494,147	318,905	813,052	151,317
Materials and supplies inventory	-	1,554,703	1,554,703	-
Inventory held for resale	749,104	-	749,104	-
Other assets	-	-	-	10,704
Deferred charges	167,180	3,027,114	3,194,294	-
Advances to component unit	10,831,461	2,042,005	12,873,466	-
Restricted assets:				
Equity in pooled cash and cash equivalents	3,036	97,457	100,493	175,024
Cash with fiscal and escrow agents	-	13,488,252	13,488,252	-
Equity investments	-	-	-	2,101,048
Deferred bond costs	-	-	-	100,617
Capital assets:				
Land and construction in progress	88,358,179	101,337,095	189,695,274	-
Depreciable capital assets, net	217,199,129	338,699,938	555,899,067	12,065,573
Total capital assets	<u>305,557,308</u>	<u>440,037,033</u>	<u>745,594,341</u>	<u>12,065,573</u>
Total assets	<u>478,340,886</u>	<u>591,404,503</u>	<u>1,069,745,389</u>	<u>39,764,538</u>

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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS (CONTINUED)
DECEMBER 31, 2006

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Liabilities:				
Accounts payable	\$ 2,748,154	\$ 2,917,319	\$ 5,665,473	\$ 261,281
Contracts payable	1,910,213	1,683,647	3,593,860	-
Accrued wages and benefits	4,004,734	1,317,394	5,322,128	-
Retainage payable	437,167	923,628	1,360,795	-
Grants payable	-	-	-	199,321
Due to other governments	8,349,232	796,981	9,146,213	-
Deferred revenue	18,518,184	-	18,518,184	-
Accrued interest payable	224,315	544,144	768,459	18,290
Accrued liabilities and other payables	-	-	-	6,493,318
Advances from primary government	-	-	-	12,873,466
Payable from restricted assets:				
Utility deposits	-	97,457	97,457	-
Accrued interest payable	-	242,598	242,598	-
Long-term liabilities:				
Due within one year	10,088,380	15,597,173	25,685,553	408,565
Due in more than one year	73,499,954	84,318,474	157,818,428	5,171,881
Total liabilities	119,780,333	108,438,815	228,219,148	25,426,122
Net assets:				
Invested in capital assets, net of related debt	242,926,214	346,386,163	589,312,377	8,255,486
Restricted for:				
Permanent fund:				
Expendable	67,805	-	67,805	-
Nonexpendable	102,228	-	102,228	-
Capital projects	28,045,274	-	28,045,274	-
Debt service	17,587,910	-	17,587,910	-
Housing and urban development	4,145,632	-	4,145,632	-
Special projects	10,924,261	-	10,924,261	-
Bond proceeds restricted for construction	-	-	-	172,203
Program income from revolving loans	-	-	-	134,362
Other purposes	10,906,703	-	10,906,703	-
Unrestricted	43,854,526	136,579,525	180,434,051	5,776,365
Total net assets	\$ 358,560,553	\$ 482,965,688	\$ 841,526,241	\$ 14,338,416

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
Downtown	\$ 4,978,385	\$ 505,552	\$ -	\$ -
Youth, education and human services	1,886,238	17,994	1,365,993	-
Community development and neighborhoods	20,050,274	2,204,445	4,616,400	40,954
Economic development	9,348,825	1,179,367	1,089,590	706,400
Leadership and quality of life	43,411,252	4,380,757	6,919,006	10,506,220
Corporate responsibility	20,544,073	2,169,808	1,170,214	-
Public safety and justice	98,533,695	16,911,515	1,540,279	-
Other	1,105,280	979,787	-	-
Interest and fiscal charges	3,043,887	-	-	-
Total governmental activities	<u>202,901,909</u>	<u>28,349,225</u>	<u>16,701,482</u>	<u>11,253,574</u>
Business-type Activities:				
Dayton International Airport	39,032,293	41,820,112	-	15,408,247
Water	45,200,207	47,088,482	-	-
Sewer	32,375,482	32,379,198	-	-
Other business-type activity funds:				
Golf	3,121,707	3,295,321	-	-
Storm Water	4,491,851	4,898,132	-	-
Total business-type activities	<u>124,221,540</u>	<u>129,481,245</u>	<u>-</u>	<u>15,408,247</u>
Total primary government	<u>\$ 327,123,449</u>	<u>\$ 157,830,470</u>	<u>\$ 16,701,482</u>	<u>\$ 26,661,821</u>
Component Unit:				
CityWide Development Corporation	<u>\$ 5,268,554</u>	<u>\$ 2,791,241</u>	<u>\$ -</u>	<u>\$ 335,313</u>

General Revenues:

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (4,472,833)	\$ -	\$ (4,472,833)	\$ -
(502,251)	-	(502,251)	-
(13,188,475)	-	(13,188,475)	-
(6,373,468)	-	(6,373,468)	-
(21,605,269)	-	(21,605,269)	-
(17,204,051)	-	(17,204,051)	-
(80,081,901)	-	(80,081,901)	-
(125,493)	-	(125,493)	-
(3,043,887)	-	(3,043,887)	-
<u>(146,597,628)</u>	<u>-</u>	<u>(146,597,628)</u>	<u>-</u>
-	18,196,066	18,196,066	-
-	1,888,275	1,888,275	-
-	3,716	3,716	-
-	173,614	173,614	-
-	406,281	406,281	-
-	20,667,952	20,667,952	-
<u>(146,597,628)</u>	<u>20,667,952</u>	<u>(125,929,676)</u>	<u>-</u>
-	-	-	<u>(2,142,000)</u>
10,484,543	-	10,484,543	-
10,017,121	-	10,017,121	-
3,708	-	3,708	-
1,282,636	-	1,282,636	-
117,876,441	-	117,876,441	-
19,192,977	-	19,192,977	-
5,084,176	3,640,943	8,725,119	214,839
-	-	-	53,321
2,862,437	-	2,862,437	-
166,804,039	3,640,943	170,444,982	268,160
(61,500)	61,500	-	-
<u>166,742,539</u>	<u>3,702,443</u>	<u>170,444,982</u>	<u>268,160</u>
20,144,911	24,370,395	44,515,306	(1,873,840)
338,415,642	458,595,293	797,010,935	16,212,256
<u>\$ 358,560,553</u>	<u>\$ 482,965,688</u>	<u>\$ 841,526,241</u>	<u>\$ 14,338,416</u>

CITY OF DAYTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 27,888,856	\$ 7,804,376	\$ 17,406,912	\$ 18,754,325	\$ 71,854,469
Investments	-	-	-	93,758	93,758
Receivables (net of allowance for uncollectibles):					
Property and other local taxes	10,335,412	10,274,921	-	-	20,610,333
Municipal income taxes	16,545,469	-	-	-	16,545,469
Accounts	3,225,229	-	9,224	48,652	3,283,105
Special assessments	-	1,044,424	-	165,522	1,209,946
Accrued interest	797,872	-	-	12,580	810,452
Loans	-	7,280,000	-	-	7,280,000
Interfund loans	2,244,744	-	1,416,749	-	3,661,493
Prepayments	467,530	-	7,875	594	475,999
Due from other funds	783,753	-	-	-	783,753
Due from other governments	9,868,985	438,350	5,231,317	6,141,061	21,679,713
Advances to component unit	-	-	5,395,215	5,436,246	10,831,461
Restricted assets:					
Cash and cash equivalents with fiscal agents	3,036	-	-	-	3,036
Total assets	<u>\$ 72,160,886</u>	<u>\$ 26,842,071</u>	<u>\$ 29,467,292</u>	<u>\$ 30,652,738</u>	<u>\$ 159,122,987</u>
Liabilities:					
Accounts payable	\$ 1,760,136	\$ 3,450	\$ 92,139	\$ 420,771	\$ 2,276,496
Contracts payable	209,309	-	978,798	710,106	1,898,213
Accrued wages and benefits	3,525,921	-	21,534	313,152	3,860,607
Compensated absences payable	92,055	-	-	12,856	104,911
Retainage payable	-	-	409,954	27,213	437,167
Due to other funds	151,391	-	17,794	790,367	959,552
Due to other governments	6,208,154	-	-	34,970	6,243,124
Interfund payable	-	-	-	3,661,493	3,661,493
Claims payable	14,919	-	-	-	14,919
Deferred revenue	22,857,047	11,757,695	3,690,243	4,182,242	42,487,227
Total liabilities	<u>34,818,932</u>	<u>11,761,145</u>	<u>5,210,462</u>	<u>10,153,170</u>	<u>61,943,709</u>
Fund Balances:					
Reserved for encumbrances	2,181,266	22,947	17,055,925	13,996,021	33,256,159
Reserved for prepayments	467,530	-	7,875	594	475,999
Reserved for claimants	336,949	-	-	-	336,949
Reserved for advances to component unit	-	-	5,395,215	5,436,246	10,831,461
Reserved for debt service	-	7,777,979	-	-	7,777,979
Reserved for contributions to permanent fund	-	-	-	102,228	102,228
Reserved for loans	-	7,280,000	-	-	7,280,000
Unreserved, designated for, reported in:					
General fund	6,949,009	-	-	-	6,949,009
Street maintenance	-	-	-	1,253,000	1,253,000
Unreserved, undesignated (deficit), reported in:					
General fund	27,407,200	-	-	-	27,407,200
Special revenue funds	-	-	-	1,124,470	1,124,470
Permanent fund	-	-	-	67,805	67,805
Capital projects funds	-	-	1,797,815	(1,480,796)	317,019
Total fund balances	<u>37,341,954</u>	<u>15,080,926</u>	<u>24,256,830</u>	<u>20,499,568</u>	<u>97,179,278</u>
Total liabilities and fund balances	<u>\$ 72,160,886</u>	<u>\$ 26,842,071</u>	<u>\$ 29,467,292</u>	<u>\$ 30,652,738</u>	<u>\$ 159,122,987</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balances \$ 97,179,278

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

Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. 304,282,334

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

Property taxes	\$	2,048,420	
Income tax		6,129,590	
Special assessments		1,209,946	
State shared taxes		5,763,493	
Charges for services		1,054,749	
Accrued interest		502,440	
Intergovernmental revenues		<u>7,260,405</u>	
 Total			 23,969,043

Unamortized premiums on bond issuance is not recognized in the funds. (204,881)

Unamortized bond issuance costs are not recognized in the funds. 167,180

Internal service funds are used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, workers' compensation, and plumbing to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net assets of the internal service funds, including internal balances of (\$57,534), are: 6,571,795

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

Accrued interest payable		(224,315)	
Special assessment bonds		(753,500)	
General obligation bonds		(49,727,772)	
Revenue bonds		(9,500,000)	
Compensated absences		(10,634,206)	
Capital lease payable		<u>(2,564,403)</u>	
 Total			 <u>(73,404,196)</u>

Net assets of governmental activities \$ 358,560,553

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, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 112,619,532	\$ -	\$ -	\$ -	\$ 112,619,532
Property and other taxes	11,390,504	10,684,074	1,282,636	3,708	23,360,922
State shared taxes	17,600,778	-	-	5,501,680	23,102,458
Charges for services	20,543,391	-	-	1,539,683	22,083,074
Licenses and permits	1,693,325	-	52,817	4,120	1,750,262
Fines and forfeitures	1,588,473	-	-	1,862,386	3,450,859
Intergovernmental	1,143,986	867,667	13,451,162	12,581,197	28,044,012
Special assessments	228,267	308,303	12,717	526,876	1,076,163
Investment income	5,051,430	-	-	79,958	5,131,388
Other	344,253	317,000	785,736	1,415,448	2,862,437
Total revenues	<u>172,203,939</u>	<u>12,177,044</u>	<u>15,585,068</u>	<u>23,515,056</u>	<u>223,481,107</u>
Expenditures:					
Current:					
Downtown	3,623,009	560,000	-	-	4,183,009
Youth, education and human services	128,955	-	-	1,799,250	1,928,205
Community development and neighborhoods	12,771,291	-	-	6,187,771	18,959,062
Economic development	3,448,571	-	-	6,015,806	9,464,377
Leadership and quality of life	26,083,392	-	-	10,989,845	37,073,237
Corporate responsibility	15,490,179	835,170	-	3,164,616	19,489,965
Public safety and justice	94,980,617	-	-	2,423,107	97,403,724
Other	973,450	132,690	-	1,466	1,107,606
Capital outlay	-	-	16,997,988	503,741	17,501,729
Debt service:					
Principal retirement	65,627	5,913,474	1,000,000	501,000	7,480,101
Interest and fiscal charges	5,669	3,053,222	17,417	-	3,076,308
Total expenditures	<u>157,570,760</u>	<u>10,494,556</u>	<u>18,015,405</u>	<u>31,586,602</u>	<u>217,667,323</u>
Excess (deficiency) of revenues over (under) expenditures	14,633,179	1,682,488	(2,430,337)	(8,071,546)	5,813,784
Other financing sources (uses):					
Sale of capital assets	-	100,000	-	-	100,000
Transfers in	-	-	9,837,164	11,844,899	21,682,063
Transfers out	(21,843,563)	-	-	-	(21,843,563)
Total other financing sources (uses)	<u>(21,843,563)</u>	<u>100,000</u>	<u>9,837,164</u>	<u>11,844,899</u>	<u>(61,500)</u>
Net change in fund balances	(7,210,384)	1,782,488	7,406,827	3,773,353	5,752,284
Fund balances at beginning of year	44,552,338	13,298,438	16,850,003	16,726,215	91,426,994
Fund balances at end of year	<u>\$ 37,341,954</u>	<u>\$ 15,080,926</u>	<u>\$ 24,256,830</u>	<u>\$ 20,499,568</u>	<u>\$ 97,179,278</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, 2006

Net change in fund balances - total governmental funds		\$ 5,752,284
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$17,332,478) exceeded depreciation expense (\$10,336,607) in the current period.		6,995,871
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		15,861
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		(12,942)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ (1,572,914)	
Income tax	5,256,909	
Special assessments	(606,746)	
State shared taxes	486,401	
Charges for services	(259,336)	
Accrued interest	(47,212)	
Intergovernmental revenues	(3,629,889)	
Total		(372,787)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		7,480,101
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		36,689
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		341,610
Internal service funds used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, worker's compensation, and plumbing to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds including internal balances of (\$510,210), is allocated among the governmental activities.		(91,776)
Change in net assets of governmental activities		\$ 20,144,911

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 113,236,300	\$ 112,296,600	\$ 113,767,671	\$ 1,471,071
Property and other local taxes	12,202,800	11,949,800	12,241,249	291,449
State shared taxes	15,818,000	16,615,400	16,683,900	68,500
Charges for services	19,985,000	20,727,500	20,906,103	178,603
Licenses and permits.	1,719,800	1,505,000	1,693,325	188,325
Fines and forfeitures.	1,400,000	1,423,600	1,570,616	147,016
Intergovernmental	-	312,600	312,500	(100)
Special assessments	267,200	267,200	228,267	(38,933)
Investment income	4,798,100	5,041,400	4,827,678	(213,722)
Other	2,289,900	2,292,900	2,362,726	69,826
Total revenues.	<u>171,717,100</u>	<u>172,432,000</u>	<u>174,594,035</u>	<u>2,162,035</u>
Expenditures:				
Current:				
Downtown	4,073,800	3,957,600	3,822,627	134,973
Youth, education and human services.	385,000	360,000	149,905	210,095
Community development and neighborhoods.	12,487,100	12,875,200	12,733,967	141,233
Economic development	3,774,500	3,772,700	3,366,305	406,395
Leadership and quality of life	28,492,800	28,176,100	26,905,096	1,271,004
Corporate responsibility.	16,771,500	16,166,000	15,218,494	947,506
Public safety and justice	92,978,500	93,913,000	92,927,783	985,217
Other	2,427,900	1,682,700	905,624	777,076
Total expenditures.	<u>161,391,100</u>	<u>160,903,300</u>	<u>156,029,801</u>	<u>4,873,499</u>
Excess of revenues over expenditures.	<u>10,326,000</u>	<u>11,528,700</u>	<u>18,564,234</u>	<u>7,035,534</u>
Other financing uses:				
Transfers in	122,000	42,500	67,602	25,102
Transfers out	(10,448,000)	(26,581,100)	(21,843,563)	4,737,537
Total other financing uses	<u>(10,326,000)</u>	<u>(26,538,600)</u>	<u>(21,775,961)</u>	<u>4,762,639</u>
Net change in fund balance.	-	(15,009,900)	(3,211,727)	11,798,173
Fund balance at beginning of year.	18,177,447	18,177,447	18,177,447	-
Prior year encumbrances appropriated.	1,834,218	1,834,218	1,834,218	-
Fund balance at end of year.	\$ 20,011,665	\$ 5,001,765	\$ 16,799,938	\$ 11,798,173

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2006

	Business-type Activities -		
	Dayton International Airport	Water	Sewer
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 62,636,643	\$ 19,525,134	\$ 19,894,686
Receivables (net of allowance for uncollectibles):			
Special assessments	-	-	433,764
Accounts	6,969,054	7,154,494	6,481,634
Accrued interest	373,529	64,715	-
Due from other funds	10,782	4,392,691	13,736
Due from other governments	1,170,111	-	-
Prepayments.	97,501	199,727	21,677
Materials and supplies inventory	44,073	1,510,630	-
Inventory held for resale	-	-	-
Advances to component unit.	-	2,042,005	-
Restricted assets:			
Equity in pooled cash and cash equivalents	-	97,457	-
Cash with fiscal and escrow agents.	5,159,295	8,328,957	-
Total current assets	<u>76,460,988</u>	<u>43,315,810</u>	<u>26,845,497</u>
Noncurrent assets:			
Unamortized bond issuance costs.	2,941,826	54,012	-
Capital assets:			
Land and construction in progress	64,222,455	17,318,108	18,737,520
Depreciable capital assets, net	<u>137,810,043</u>	<u>99,519,615</u>	<u>86,570,411</u>
Total capital assets	<u>202,032,498</u>	<u>116,837,723</u>	<u>105,307,931</u>
Total noncurrent assets	<u>204,974,324</u>	<u>116,891,735</u>	<u>105,307,931</u>
Total assets.	<u>281,435,312</u>	<u>160,207,545</u>	<u>132,153,428</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 4,305,736	\$ 106,362,199	\$ 17,185,195
431,824	865,588	-
1,372,702	21,977,884	11,218
-	438,244	-
223	4,417,432	209,040
-	1,170,111	-
-	318,905	18,148
-	1,554,703	-
-	-	749,104
-	2,042,005	-
-	97,457	-
-	13,488,252	-
<u>6,110,485</u>	<u>152,732,780</u>	<u>18,172,705</u>
31,276	3,027,114	-
1,059,012	101,337,095	75,000
<u>14,799,869</u>	<u>338,699,938</u>	<u>1,199,974</u>
<u>15,858,881</u>	<u>440,037,033</u>	<u>1,274,974</u>
<u>15,890,157</u>	<u>443,064,147</u>	<u>1,274,974</u>
<u>22,000,642</u>	<u>595,796,927</u>	<u>19,447,679</u>

- - Continued

CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2006

	Business-type Activities		
	Dayton International Airport	Water	Sewer
Liabilities:			
Current liabilities:			
Accounts payable	654,977	971,487	1,245,060
Contracts payable	1,000,072	144,350	532,412
Accrued wages and benefits	409,068	607,721	220,271
Compensated absences - current	299,711	500,899	177,397
Retainage payable	815,924	1,218	106,486
Accrued interest payable	77,268	-	460,406
Due to other funds	5,918	36,044	3,687,823
Due to other governments	638,514	157,639	391
Claims payable - current	-	-	-
General obligation notes payable - current	2,000,000	-	-
General obligation bonds payable - current	-	-	-
OWPC loan payable - current	-	-	50,000
OWDA loan payable - current	-	-	3,253,165
Capital lease payable - current	-	67,630	-
Payable from restricted assets:			
Utility deposits	-	97,457	-
Accrued interest payable	224,966	17,632	-
Revenue bonds - current	3,750,000	5,133,550	-
Total current liabilities	<u>9,876,418</u>	<u>7,735,627</u>	<u>9,733,411</u>
Noncurrent liabilities:			
Compensated absences	603,854	1,009,207	357,418
Claims payable	-	-	-
General obligation bonds payable	-	-	-
General obligation notes payable	4,715,000	-	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	60,600,209	-	-
OPWC loan payable	-	-	650,000
OWDA loan payable	-	-	14,371,202
Total noncurrent liabilities	<u>65,919,063</u>	<u>1,009,207</u>	<u>15,378,620</u>
Total liabilities	<u>75,795,481</u>	<u>8,744,834</u>	<u>25,112,031</u>
Net assets:			
Invested in capital assets, net of related debt	133,909,115	111,690,555	86,983,564
Unrestricted	71,730,716	39,772,156	20,057,833
Total net assets	<u>\$ 205,639,831</u>	<u>\$ 151,462,711</u>	<u>\$ 107,041,397</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

Enterprise Funds		Governmental
Other		Activities -
Enterprise	Total	Internal
		Service Funds
45,795	2,917,319	471,658
6,813	1,683,647	12,000
80,334	1,317,394	144,127
95,919	1,073,926	120,352
-	923,628	-
6,470	544,144	-
720,173	4,449,958	715
437	796,981	2,106,108
-	-	500,585
-	2,000,000	-
212,452	212,452	-
-	50,000	-
-	3,253,165	-
-	67,630	47,718
-	97,457	-
-	242,598	-
-	8,883,550	-
<u>1,168,393</u>	<u>28,513,849</u>	<u>3,403,263</u>
193,258	2,163,737	235,297
-	-	9,179,790
1,874,776	1,874,776	-
-	4,715,000	-
-	60,600,209	-
-	650,000	-
-	14,371,202	-
<u>2,068,034</u>	<u>84,374,924</u>	<u>9,415,087</u>
<u>3,236,427</u>	<u>112,888,773</u>	<u>12,818,350</u>
13,802,929	346,386,163	1,227,256
4,961,286	136,521,991	5,402,073
<u>\$ 18,764,215</u>	<u>482,908,154</u>	<u>\$ 6,629,329</u>
	<u>57,534</u>	
	<u>\$ 482,965,688</u>	

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities -		
	Dayton International Airport	Water	Sewer
Operating revenues:			
Charges for services	\$ 35,204,238	\$ 42,226,954	\$ 32,000,393
Other	6,615,874	4,861,528	378,805
Total operating revenues	41,820,112	47,088,482	32,379,198
Operating expenses:			
Personal services	10,563,756	15,516,268	5,914,943
Benefit payments	3,595,058	5,329,367	2,101,039
Contractual services	7,274,862	4,650,573	10,712,917
Materials and supplies	1,218,261	4,366,627	1,762,709
Utilities	2,184,482	6,312,888	2,744,297
Cost of sales	-	-	-
Depreciation	8,100,939	5,939,915	7,048,699
Claims expense	-	-	-
Other	2,869,001	2,777,781	1,195,587
Total operating expenses	35,806,359	44,893,419	31,480,191
Operating income (loss)	6,013,753	2,195,063	899,007
Nonoperating revenues (expenses):			
Interest revenue	2,627,525	1,013,418	-
Interest expense and fiscal charges	(3,370,599)	(548,503)	(981,024)
Total nonoperating revenues (expenses)	(743,074)	464,915	(981,024)
Income (loss) before capital contributions and transfers	5,270,679	2,659,978	(82,017)
Capital contributions	15,408,247	-	-
Transfers in	-	-	-
Changes in net assets	20,678,926	2,659,978	(82,017)
Net assets, January 1	184,960,905	148,802,733	107,123,414
Net assets, December 31	\$ 205,639,831	\$ 151,462,711	\$ 107,041,397

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 8,170,359	\$ 117,601,944	\$ 13,833,535
23,094	11,879,301	119,348
<u>8,193,453</u>	<u>129,481,245</u>	<u>13,952,883</u>
2,869,942	34,864,909	3,986,560
895,709	11,921,173	1,432,119
1,758,093	24,396,445	1,281,769
609,955	7,957,552	515,310
189,560	11,431,227	22,888
-	-	3,939,217
574,831	21,664,384	146,956
-	-	2,269,735
<u>618,074</u>	<u>7,460,443</u>	<u>32,708</u>
<u>7,516,164</u>	<u>119,696,133</u>	<u>13,627,262</u>
<u>677,289</u>	<u>9,785,112</u>	<u>325,621</u>
-	3,640,943	-
<u>(135,491)</u>	<u>(5,035,617)</u>	<u>(7,187)</u>
<u>(135,491)</u>	<u>(1,394,674)</u>	<u>(7,187)</u>
541,798	8,390,438	318,434
-	15,408,247	-
<u>61,500</u>	<u>61,500</u>	<u>100,000</u>
603,298	23,860,185	418,434
<u>18,160,917</u>		<u>6,210,895</u>
<u>\$ 18,764,215</u>		<u>\$ 6,629,329</u>
	<u>510,210</u>	
	<u>\$ 24,370,395</u>	

CITY OF DAYTON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities -		
	Dayton International Airport	Water	Sewer
Cash flows from operating activities:			
Cash received from customers	\$ 36,117,667	\$ 43,770,106	\$ 30,987,674
Cash received from interfund services provided.	-	-	-
Cash received from other operating revenues	6,444,922	5,116,732	381,629
Cash payments for personal services	(10,487,336)	(15,169,030)	(5,949,558)
Cash payments for fringe benefits	(3,586,355)	(5,311,370)	(2,100,814)
Cash payments for contract services.	(8,826,445)	(5,699,970)	(11,397,969)
Cash payments for materials and supplies.	(1,164,800)	(4,302,089)	(1,799,349)
Cash payments for cost of goods sold.	-	-	-
Cash payments for utilities	(1,997,219)	(6,479,864)	(2,679,069)
Cash payments for claims	-	-	-
Cash payments for other operating expenses	(2,820,248)	(2,853,405)	(1,260,187)
Net cash provided by operating activities.	<u>13,680,186</u>	<u>9,071,110</u>	<u>6,182,357</u>
Cash flows from noncapital financing activities:			
Cash received from advance to component unit	-	402,737	-
Transfers in.	-	-	-
Net cash provided by noncapital financing activities.	<u>-</u>	<u>402,737</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(11,096,206)	(2,186,142)	(7,194,294)
Capital contributions	17,583,655	-	-
Proceeds from notes	6,715,000	-	-
Principal paid on notes	(6,675,000)	-	-
Interest paid on notes.	(216,938)	-	-
Principal paid on bonds.	(3,630,000)	(5,850,000)	-
Interest paid on bonds	(2,596,651)	(452,310)	-
Principal paid on loans	-	-	(3,431,510)
Interest paid on loans.	-	-	(1,101,749)
Principal paid on capital leases	-	(64,886)	-
Interest paid on capital leases.	-	(5,605)	-
Net cash provided by (used in) capital and related financing activities.	<u>83,860</u>	<u>(8,558,943)</u>	<u>(11,727,553)</u>
Cash flows from investing activities:			
Interest received	2,612,755	1,011,260	-
Net cash provided by investing activities	<u>2,612,755</u>	<u>1,011,260</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	16,376,801	1,926,164	(5,545,196)
Cash and cash equivalents at beginning of year	<u>51,419,137</u>	<u>26,025,384</u>	<u>25,439,882</u>
Cash and cash equivalents at end of year.	<u>\$ 67,795,938</u>	<u>\$ 27,951,548</u>	<u>\$ 19,894,686</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 9,151,325	\$ 120,026,772	\$ -
-	-	13,861,864
22,344	11,965,627	730,250
(2,775,850)	(34,381,774)	(3,904,853)
(886,706)	(11,885,245)	(1,427,119)
(1,815,862)	(27,740,246)	(1,207,743)
(628,282)	(7,894,520)	(390,567)
-	-	(3,856,601)
(202,080)	(11,358,232)	(26,965)
-	-	(3,341,291)
(591,137)	(7,524,977)	(33,119)
<u>2,273,752</u>	<u>31,207,405</u>	<u>403,856</u>
-	402,737	-
61,500	61,500	100,000
<u>61,500</u>	<u>464,237</u>	<u>100,000</u>
(159,351)	(20,635,993)	(166,379)
-	17,583,655	-
-	6,715,000	-
-	(6,675,000)	-
-	(216,938)	-
(205,126)	(9,685,126)	-
(132,217)	(3,181,178)	-
-	(3,431,510)	-
-	(1,101,749)	-
-	(64,886)	(76,813)
-	(5,605)	(7,187)
<u>(496,694)</u>	<u>(20,699,330)</u>	<u>(250,379)</u>
-	3,624,015	-
-	3,624,015	-
1,838,558	14,596,327	253,477
<u>2,467,178</u>	<u>105,351,581</u>	<u>16,931,718</u>
<u>\$ 4,305,736</u>	<u>\$ 119,947,908</u>	<u>\$ 17,185,195</u>

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CITY OF DAYTON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities -		
	Dayton International Airport	Water	Sewer
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 6,013,753	\$ 2,195,063	\$ 899,007
Adjustments:			
Depreciation	8,100,939	5,939,915	7,048,699
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	753,259	1,467,397	(1,019,236)
(Increase) decrease in due from other funds	(10,782)	255,204	2,824
(Increase) decrease in prepaid assets	(6,909)	(75,893)	(21,677)
(Increase) decrease in special assessments receivable	-	-	6,517
Decrease in judgments receivable	-	45,000	-
Increase in materials and supplies inventory	(12,746)	(60,613)	-
Increase in inventory held for resale	-	-	-
Increase (decrease) in accounts payable	(1,102,597)	(712,375)	(849,466)
Increase (decrease) in contracts payable	(152,647)	(218,359)	106,194
Increase (decrease) in retainage payable	268,880	(17,106)	106,486
Increase in accrued wages and benefits	3,007	20,111	13,618
Increase (decrease) in due to other funds	(298,681)	(144,634)	(58,098)
Increase (decrease) in due to other governments	42,594	1,521	(4,503)
Increase in utility deposits	-	30,755	-
Increase (decrease) in compensated absences payable	82,116	345,124	(48,008)
Decrease in claims payable	-	-	-
Net cash provided by operating activities	<u>\$ 13,680,186</u>	<u>\$ 9,071,110</u>	<u>\$ 6,182,357</u>

Non-cash transactions:

During 2006, the Dayton International Airport received \$4,102,927 in capital grants, which was recognized as a receivable in 2005. A receivable in the amount of \$1,927,519 has been recorded for capital grants in 2006.

At December 31, 2005, the Water and Dayton International Airport, enterprise funds purchased \$368,467 and \$599,234, respectively, in capital assets on account. At December 31, 2006, the Water, Sewer, and Dayton International Airport enterprise funds purchased \$173,188, \$756,574, and \$1,494,792, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 677,289	\$ 9,785,112	\$ 325,621
574,831	21,664,384	146,956
1,210,530	2,411,950	28,329
731	247,977	619,198
-	(104,479)	1,606
(222,327)	(215,810)	-
-	45,000	-
-	(73,359)	-
-	-	38,210
(78,447)	(2,742,885)	245,731
6,813	(257,999)	12,000
-	358,260	-
2,852	39,588	640
1,290	(500,123)	(12,354)
(53)	39,559	(98,784)
-	30,755	-
100,243	479,475	69,475
-	-	(972,772)
<u>\$ 2,273,752</u>	<u>\$ 31,207,405</u>	<u>\$ 403,856</u>

CITY OF DAYTON, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2006**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 7,798,072
Cash and cash equivalents with fiscal agent	755,248
Investments with fiscal agent	1,013,369
Due from other governments.	<u>360,031</u>
Total assets	<u>\$ 9,926,720</u>
Liabilities:	
Accounts payable.	\$ 40,562
Due to other governments	2,001,685
Due to others.	383,516
Withholdings and deposits	<u>7,500,957</u>
Total liabilities	<u>\$ 9,926,720</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, 2006

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

DISCRETELY PRESENTED COMPONENT UNIT

The City has included one discretely presented component unit, the Citywide Development Corporation (CWDC), as part of this report. CWDC was established in 1972 as a private, non-profit development organization which supports the City in a number of ways - primarily as its development financing arm. CWDC's relationship with the City is established via its stated mission: fostering economic development through creating and retaining jobs for City residents, providing administrative support to assist in neighborhood development, increasing tax revenues, and improving the Dayton area economy. Because the City appoints all members of CWDC's board of trustees and is empowered to remove them at will, CWDC is a component unit of the City. CWDC issues separately audited financial statements with a December 31 year-end. Its most recently audited financial statements may be obtained from Citywide Development Corporation, 8 North Main Street, Dayton, Ohio 45402-1916. Further disclosures for the discretely presented component unit can be found in Note 21.

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Regional Planning Commission - The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton, City of Riverside, City of New Carlisle, and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the general fund. The City contributed \$76,442 for the operation of the Commission during 2006. 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 2006. 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, 2006

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

Miami Township-Dayton Joint Economic Development District - In an effort to promote regional growth and economic development, the City has entered into a contract with Miami Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Miami Township in July 2005. In accordance with state law the Districts Board of Trustees levied a 2% income tax effective January 1, 2006. The proceeds of that tax are allocated, in accordance with the contract, primarily to the Township. In consideration for its receipt of a share of the District's income taxes, the City will receive 50% of the property tax revenue from parcels located within the District. The Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement near the Dayton-Wright Brothers Airport. The City received \$164,002 in revenues through the JEDD in 2006.

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 2006. Financial information can be obtained from Linda Gum, Administrative Assistant, at 451 West Third Street, Dayton, Ohio 45402.

Montgomery County Family and Children First Council - The City participates in the Montgomery County Family and Children First Council. The Council coordinates and integrates those services within Montgomery County which are available for families and children and establishes a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children. The Council is governed by a board of nineteen trustees, one of which is the Mayor of the City of Dayton. The City did not contribute to the operation of the Council during 2006. Financial information can be obtained from Sue Daily, Executive Director, at 451 West Third Street, P.O. Box 972, Dayton, Ohio 4522-3100.

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

The Board established hazardous materials incident response guidelines to provide for response procedures in the event of an incident. In the event of a hazardous material incident within any local government that is a member of this organization, the other members will respond to render assistance. The funding for the operation of the response team is through contributions from each entity. In addition, the persons or company responsible for any hazardous materials emergency is required by state law to reimburse the team any costs associated with clean up. There is no explicit and measurable equity interest in HAZ MAT. During 2006, the City contributed \$23,765 to HAZ MAT. Financial information can be obtained from Edwin Kovar, Executive Director at 4200 Lake Center Drive, Trotwood, Ohio 45426.

Miami Valley Emergency Management Agency - The Miami Valley Emergency Management Agency (the Agency) is a jointly governed organization between various political subdivisions in Montgomery and Greene Counties. The purpose of the Agency is to help provide emergency management preparedness which includes training and incident mitigation. The fourteen 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 2006. Financial information can be obtained from Edwin Kovar, Executive Director at 4200 Lake Center Drive, Trotwood, Ohio 45426.

B. Basis of Presentation

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

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

C. Fund Accounting

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

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

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

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

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

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

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

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

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds which are used to account for items such as building permit surcharge, prisoner's personal accounts, performance bonds, and as well as other situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, and other governments.

D. Measurement Focus

Government-wide Financial Statements - The government-wide 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.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

E. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue on the fund financial statements.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

F. Budgetary Process

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

The City prepares its budget on a non-GAAP budgetary basis which is the modified accrual basis with exceptions. The legal level of budgetary control is at the department level. Budgetary modifications at this level may only be made by resolution of the City Commission.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year.

G. Cash and Cash Equivalents

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

During 2006, 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, 2006. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

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

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

Cash and cash equivalents that are held separately by Citywide Development Corporation, the discretely presented component unit is recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

Interest income is distributed to the funds according to City Ordinance and statutory requirements. Interest revenue earned during 2006 was \$5,051,430 in the general fund, which includes \$3,628,773 assigned from other City funds. The nonmajor governmental funds and enterprise funds also received interest in the amount of \$79,958 and \$3,640,943, respectively.

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.

I. Restricted Assets

Restricted assets are those which are legally restricted in their use by bond indentures, or other legal instruments. Restricted assets in the enterprise funds include "Equity in Pooled Cash and Cash Equivalents" and "Cash with Fiscal and Escrow Agents". "Equity in Pooled Cash and Cash Equivalents" represent utility deposits held by the City. "Cash with Fiscal and Escrow Agents" are the proceeds from revenue bond issues that are required by the bond indenture to be held by a financial services corporation. Restricted assets in the general fund include "Cash and Cash Equivalents with Fiscal Agents" which represents money held by a fiscal agent on behalf of the City.

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:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. 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, 2006, 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.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

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

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

P. Interfund Activity

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

Q. Fund Balance Reserves

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

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

R. Fund Designations

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

General Fund

<u>Project</u>	<u>Amount Designated</u>
Special Assessments	\$ 176,165
Employee Termination	2,717,106
27th Payroll Administration	2,192,000
Unclaimed Money	351,868
Unemployment	889,590
PRC Sponsorships	175,246
DEDE Contractual Services	56,250
Mediation Center	90,784
Employee Professional Development	<u>300,000</u>
Total General Fund	<u>\$ 6,949,009</u>

Street Maintenance

<u>Project</u>	<u>Amount Designated</u>
Operating Carryover	\$ 600,000
Capital Equipment	<u>653,000</u>
Total Nonmajor Governmental Fund	<u>\$ 1,253,000</u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

S. Estimates

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

T. Contributions of Capital

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

U. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

V. Operating Revenues and Expenses

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

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2006, the City has implemented GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

The purpose of GASB Statement No. 44 is to improve the understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

B. Deficit Fund Balances

Fund balances at December 31, 2006, included the following individual fund deficits:

<u>Nonmajor</u>	<u>Deficit</u>
Miscellaneous Grants Fund	\$ 681,182
Issue II Fund	1,106,153

The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur.

C. Compliance

Contrary to Ohio Revised Code Section 5705.10, the City had a negative cash balance in the HUD special revenue fund and the Issue II capital projects fund of \$1,138,591 and \$1,106,153, respectively. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits not required for use within the current five year period of designation of depositories as defined by the City's investment policy. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

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

1. Bonds and other obligations guaranteed by the United States;
2. Discount notes of the Federal National Mortgage Association;
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, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$55,013 in undeposited cash on hand which is included on the financial statements of the City as part of "Equity in Pooled Cash and Investments."

B. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$1,571,610. As of December 31, 2006, \$7,471,208 of the City's bank balance of \$7,871,208 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2006, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
UST	\$ 49,248,620	\$ 9,929,700	\$ 17,879,140	\$ 15,606,160	\$ 5,833,620	\$ -
FHLMC	28,839,993	28,839,993	-	-	-	-
FHLB	17,909,400	-	7,900,000	10,009,400	-	-
FNMA	49,789,810	14,971,950	7,895,040	26,922,820	-	-
City Owned Debt	3,548,500	-	-	-	-	3,548,500
Executive Severance						
Money Market	1,013,369	1,013,369	-	-	-	-
Stock	93,758	93,758	-	-	-	-
U.S. Government						
Money Market	13,491,288	13,491,288	-	-	-	-
STAR Ohio	53,089,694	53,089,694	-	-	-	-
	<u>\$ 217,024,432</u>	<u>\$ 121,429,752</u>	<u>\$ 33,674,180</u>	<u>\$ 52,538,380</u>	<u>\$ 5,833,620</u>	<u>\$ 3,548,500</u>

The weighted average maturity of investments is .64 years.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
UST	\$ 49,248,620	22.69
FHLMC	28,839,993	13.29
FHLB	17,909,400	8.25
FNMA	49,789,810	22.94
City Owned Debt	3,548,500	1.64
Executive Severance Money Market	1,013,369	0.47
Stock	93,758	0.04
US Government Money Market	13,491,288	6.22
STAR Ohio	53,089,694	24.46
	<u>\$ 217,024,432</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 footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,571,610
Investments	202,519,775
Investments - Cash with fiscal agent	14,504,657
Cash on hand	<u>55,013</u>
Total	<u>\$ 218,651,055</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 89,136,458
Business type activities	119,947,908
Agency funds	<u>9,566,689</u>
Total	<u>\$ 218,651,055</u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 5 - INTERFUND TRANSACTIONS

A. Due from/to other funds consisted of the following at December 31, 2006, as reported on the fund statements:

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Special Revenue</u>	<u>Dayton International Airport</u>	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Due from Total</u>
General	\$ -	\$ 72	\$ 768,079	\$ 5,508	\$ 6,702	\$ 2,640	\$ 501	\$ 251	\$ 783,753
Internal Service	140,386	17,722	21,782	185	16,137	4,748	7,808	272	209,040
Dayton International									
Airport	10,782	-	-	-	-	-	-	-	10,782
Water	-	-	-	200	-	3,680,435	711,864	192	4,392,691
Sewer	-	-	506	25	13,205	-	-	-	13,736
Nonmajor Enterprise	<u>223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223</u>
Due to Total	<u>\$ 151,391</u>	<u>\$ 17,794</u>	<u>\$ 790,367</u>	<u>\$ 5,918</u>	<u>\$ 36,044</u>	<u>\$ 3,687,823</u>	<u>\$ 720,173</u>	<u>\$ 715</u>	<u>\$ 5,410,225</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.

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances 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, 2006, consist of the following individual fund loan receivable and payable as reported on the fund statements:

<u>Interfund Payable to</u>	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Capital Projects</u>	<u>Total</u>
General	\$ 1,138,591	\$ 1,106,153	\$ 2,244,744
Capital Improvement	<u>1,416,749</u>	<u>-</u>	<u>1,416,749</u>
Total	<u>\$ 2,555,340</u>	<u>\$ 1,106,153</u>	<u>\$ 3,661,493</u>

The interfund loan payable in the nonmajor special revenue to the general fund is to cover negative cash balances at year-end. The interfund loan payable in the nonmajor special revenue to the capital improvement fund is for an advance that will be repaid during 2007.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances between governmental funds are reported on the statement of net assets at December 31, 2006.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

C. Advances to component unit and advances from primary government consisted of the following at December 31, 2006, as reported on the fund statements:

<u>Advance To</u>	<u>Capital Improvement</u>	<u>Special Revenue</u>	<u>Water</u>	<u>Total</u>
Component Unit	\$ 5,395,215	\$ 5,436,246	\$ 2,042,005	\$ 12,873,466

D. Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported on the fund statements:

<u>Transfer From</u>	<u>Capital Improvement</u>	<u>Nonmajor Special Revenue</u>	<u>Internal Service Funds</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
General	\$ 9,837,164	\$ 11,844,899	\$ 100,000	\$ 61,500	\$ 21,843,563
Total	\$ 9,837,164	\$ 11,844,899	\$ 100,000	\$ 61,500	\$ 21,843,563

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. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and 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.

The full tax rate for all City operations for the year ended December 31, 2006, was \$10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

	<u>Amount</u>	<u>Percent</u>
Real property	\$ 1,789,262,590	84.97
Public utility real property	95,959,270	4.56
Tangible personal property	<u>220,535,502</u>	<u>10.47</u>
Total assessed value	<u>\$ 2,105,757,362</u>	<u>100.00</u>

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

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

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 2006-2010, 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, 2006. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2006 operations. The receivable is therefore offset by a credit to deferred revenue.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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 2006, as reported in the governmental fund financial statements on the modified accrual basis of accounting, was \$112,619,532.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2006, 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, 2006, as well as intended to finance fiscal 2006 operations.

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

Governmental Activities:

Income taxes	\$ 16,545,469
Real and other taxes	20,610,333
Accounts	3,294,323
Special assessments	1,209,946
Accrued interest	810,452
Loans	7,280,000
Due from other governments	21,679,713

Business-Type Activities:

Accounts	21,977,884
Special assessment	865,588
Accrued interest	438,244
Due from other governments	1,170,111

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - LOANS RECEIVABLE

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

The obligations of the stadium owner to make a loan payment on any loan payment date shall be forgiven if neither the stadium owner nor the team owner has materially breached, violated, or failed to fully perform any provision contained in the ground lease, the stadium lease, or the plaza lease (see Note 12) and the team owner has committed to play all club home games at the stadium during the then current calendar year. At December 31, 2006, the amount owed to the City was \$7,280,000.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2006, was as follows:

	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 57,375,085	\$ 1,481,505	\$ -	\$ 58,856,590
Construction in progress	<u>23,884,960</u>	<u>9,686,468</u>	<u>(4,069,839)</u>	<u>29,501,589</u>
Total capital assets, not being depreciated	<u>81,260,045</u>	<u>11,167,973</u>	<u>(4,069,839)</u>	<u>88,358,179</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	96,033,956	837,275	-	96,871,231
Improvements other than buildings	51,791,383	66,734	-	51,858,117
Equipment	21,130,714	1,356,592	-	22,487,306
Vehicles	42,351,951	4,070,283	(999,405)	45,422,829
Infrastructure	<u>181,776,538</u>	<u>4,069,839</u>	<u>-</u>	<u>185,846,377</u>
Total capital assets, being depreciated	<u>393,084,542</u>	<u>10,400,723</u>	<u>(999,405)</u>	<u>402,485,860</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(57,098,115)	(2,253,703)	-	(59,351,818)
Improvements other than buildings	(30,816,925)	(1,480,064)	-	(32,296,989)
Equipment	(11,917,744)	(1,295,135)	-	(13,212,879)
Vehicles	(32,472,269)	(1,554,233)	999,405	(33,027,097)
Infrastructure	<u>(43,497,520)</u>	<u>(3,900,428)</u>	<u>-</u>	<u>(47,397,948)</u>
Total accumulated depreciation	<u>(175,802,573)</u>	<u>(10,483,563)</u>	<u>999,405</u>	<u>(185,286,731)</u>
Total capital assets being depreciated, net	<u>217,281,969</u>	<u>(82,840)</u>	<u>-</u>	<u>217,199,129</u>
Governmental activities capital assets, net	<u>\$ 298,542,014</u>	<u>\$ 11,085,133</u>	<u>\$ (4,069,839)</u>	<u>\$ 305,557,308</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - CAPITAL ASSETS - (Continued)

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

Governmental Activities:

Downtown	\$ 1,007,747
Youth, education and human services	2,075
Community development and neighborhoods	287,286
Economic development	89,003
Leadership and quality of life	5,864,459
Corporate responsibility	1,291,949
Public safety and justice	<u>1,941,044</u>
Total depreciation expense - governmental activities	<u>\$ 10,483,563</u>

	Balance			Balance
	<u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/06</u>
<u>Business-Type Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 41,112,012	\$ 355,621	\$ -	\$ 41,467,633
Construction in progress	<u>43,931,074</u>	<u>15,938,388</u>	<u>-</u>	<u>59,869,462</u>
Total capital assets, not being depreciated	<u>85,043,086</u>	<u>16,294,009</u>	<u>-</u>	<u>101,337,095</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	154,077,586	744,107	-	154,821,693
Improvements other than buildings	511,987,977	2,870,527	-	514,858,504
Equipment	10,674,299	907,514	-	11,581,813
Vehicles	<u>36,619,806</u>	<u>1,276,689</u>	<u>(243,259)</u>	<u>37,653,236</u>
Total capital assets, being depreciated:	<u>713,359,668</u>	<u>5,798,837</u>	<u>(243,259)</u>	<u>718,915,246</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(62,620,125)	(3,226,662)	-	(65,846,787)
Improvements other than buildings	(266,586,267)	(16,198,715)	-	(282,784,982)
Equipment	(6,886,093)	(658,829)	-	(7,544,922)
Vehicles	<u>(22,701,698)</u>	<u>(1,580,178)</u>	<u>243,259</u>	<u>(24,038,617)</u>
Total accumulated depreciation	<u>(358,794,183)</u>	<u>(21,664,384)</u>	<u>243,259</u>	<u>(380,215,308)</u>
Total capital assets, being depreciated net	<u>354,565,485</u>	<u>(15,865,547)</u>	<u>-</u>	<u>338,699,938</u>
Business-type activities capital assets, net	<u>\$ 439,608,571</u>	<u>\$ 428,462</u>	<u>\$ -</u>	<u>\$ 440,037,033</u>

Depreciation expense was charged to functions of the business-type activities as follows:

Business Type Activities

DIA	\$ 8,100,939
Water	5,939,915
Sewer	7,048,699
Storm Water	363,336
Golf	<u>211,495</u>
Total depreciation expense - business type activities	<u>\$ 21,664,384</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - CAPITAL ASSETS - (Continued)

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

	<u>Project</u> <u>Authorization</u>	<u>Expended at</u> <u>12/31/06</u>	<u>Committed</u>
McCall Drive and Parking Lot	\$ 314,359	\$ (298,383)	\$ 15,976
Salem Avenue Business Enhancements	510,000	(80,789)	429,211
Rec & Parks Improvements	1,628,453	(923,638)	704,815
Stuart Patterson Rec.	90,000	(69,564)	20,436
Development - Demolition	1,500,950	(337,893)	1,163,057
Community Blood Center Curb Imp.	90,000	(15,600)	74,400
Facility Improvement	2,173,675	(586,543)	1,587,132
Imp at W. Third & I-75 Ramps	90,000	(64,983)	25,017
Bridge Painting	300,000	(163,024)	136,976
CBD Signal Reconstruction	1,753,750	(1,753,750)	-
Germantown St Resurfacing	3,863,294	(3,291,145)	572,149
Zion Church Stabilization	1,163,768	(619,598)	544,170
Kettering Field Lighting	540,772	(540,772)	-
Permissive License Tax	817,831	(634,298)	183,533
Signal Upgrade, Phase 5	1,315,170	(1,315,170)	-
Washington St Bridge	7,280,000	(1,952,684)	5,327,316
Hope VI Gateway Project #2	143,850	(84,555)	59,295
Comm. Cable Replacement	1,008,339	(710,981)	297,358
EC Moses Blvd Bridge Replacement	283,178	(36,206)	246,972
Convention Center Façade	2,092,000	(1,556,390)	535,610
GH&R - Cleanup & Remediation	2,752,363	(1,803,182)	949,181
Findlay Street Bridge	4,759,101	(4,759,101)	-
Dayton Technology Campus	924,865	(99,508)	825,357
Patterson Blvd Rehabilitation	2,222,175	(2,051,787)	170,388
Princeton Park Center Roof	660,600	(361,558)	299,042
City Wide Chip Seal	171,935	(171,935)	-
Underground Storage	402,533	(143,336)	259,197
Public Faculty Improvement	885,200	(624,753)	260,447
One Stop Shop	1,767,200	(1,501,309)	265,891
Reibold Block Transportation	2,585,071	(1,057,335)	1,527,736
Wright Dunbar Village	153,265	(148,605)	4,660
2006 Sidewalks & Curb	1,153,391	(892,846)	260,545
2006 Asphalt	878,310	(850,368)	27,942
	<u>\$ 46,275,398</u>	<u>\$ (29,501,589)</u>	<u>\$ 16,773,809</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - CAPITAL ASSETS - (Continued)

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

<u>Dayton International Airport</u>	<u>Project Authorization</u>	<u>Expended at 12/31/06</u>	<u>Committed</u>
Parking Lot Expansion	\$ 4,269,000	\$ (873,243)	\$ 3,395,757
DWBA Runway Rehab	68,718	(57,080)	11,638
EIS Phase I	2,958,903	(737,583)	2,221,320
Security Grant 4703	3,448,541	(1,875,181)	1,573,360
Snow Removal Bldg 4603	1,438,842	(1,239,341)	199,501
Terminal Rd/Parking Lot Improvement	7,308,464	(2,977,130)	4,331,334
Aviation 9/11 Security Enhancement	3,636,000	(1,811,884)	1,824,116
Emergency Back-up Generator PFC	2,121,335	(1,840,969)	280,366
Water Meter & Backflow Preventers	180,000	(171,707)	8,293
Prep Air Traffic Control Tower	444,369	(375,199)	69,170
Terminal Road Access Rehab	5,876,112	(4,440,499)	1,435,613
DIA Airport Parking Structure	617,592	(480,036)	137,556
Cargo Road Rebuild I2	850,000	(784,528)	65,472
Terminal Drive improvements (3)	2,333,630	(477,301)	1,856,329
Terminal Gate Enhancements 53-05	8,000,000	(7,359,573)	640,427
South Perimeter Rd. Grant 51-05	1,141,675	(941,392)	200,283
Perimeter RD PHI	1,569,038	(1,236,224)	332,814
Parking Garage Concept Design	7,450,718	(5,255,284)	2,195,434
Architectural work misc	186,500	(144,020)	42,480
Parking Lot Rehabilitation	30,000	(19,972)	10,028
	<u>\$ 53,929,437</u>	<u>\$(33,098,146)</u>	<u>\$ 20,831,291</u>
Total			

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Water</u>	<u>Project Authorization</u>	<u>Expended at 12/31/06</u>	<u>Committed</u>
Water Admin. Building Roof Replacement	\$ 83,634	\$ (63,928)	\$ 19,706
Mulberry Water Main Install	1,354,400	(532,694)	821,706
Water Dist Mains/Clayton	1,369,170	(1,247,869)	121,301
Raw & Finished WaterMeter	217,280	(125,869)	91,411
Ottawa Treatment E. Res Improvements	674,499	(331,198)	343,301
Warehouse Roof Replacement	88,986	(23,738)	65,248
Replacement of Equipment @ WS&T	1,127,000	(629,501)	497,499
Wellfield Development	1,368,186	(1,368,186)	-
Water Treatment Plat Improvement	2,570,439	(817,208)	1,753,231
Paving Improvements @ WS&T	175,000	(121,690)	53,310
Washwater Lagoon @ Miami WTP	848,602	(18,770)	829,832
Culvert & Bridge Replacements @ Mad River Well Field	390,000	(342,112)	47,888
Ottawa SCADA Trmt Sys Improvements	500,000	(100,931)	399,069
360 Water Inc.	500,000	(463,775)	36,225
Arcadia Blvd Water Main Replacement (OPWC Grant)	600,000	(400,043)	199,957
Findlay Street Water Main Improvements	100,000	(25,268)	74,732
Ottawa Yard Complex I	2,500,000	(1,283,779)	1,216,221
Trotwood Water Main, Clayton Phase II	5,791,500	(12,406)	5,779,094
Claton Dist Water Main Phase 4	<u>2,100,000</u>	<u>(1,813,682)</u>	<u>286,318</u>
 Total	 <u>\$ 22,358,696</u>	 <u>\$ (9,722,647)</u>	 <u>\$ 12,636,049</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Sewer</u>	<u>Project Authorization</u>	<u>Expended at 12/31/06</u>	<u>Committed</u>
Misc. Sanit Sewer Repair & Improvement	\$ 3,251,375	\$ (1,274,953)	\$ 1,976,422
Cone Court Sanit Sewer replacement	60,000	(255)	59,745
MacGregor Pk Sanitary Sewer Rehab	110,000	(42,750)	67,250
Philadelphie Dr Sanitary Sewer replacement	2,650,000	(2,336,172)	313,828
Kiser Street Sanitary Sewer	80,000	(67,713)	12,287
Oak & Cross St. Sanitary Sewer	138,500	(121,002)	17,498
Dwight Ave Sanitary Sewer Rehab	40,000	(29,396)	10,604
Kensington Drive Sanitary Sewer	65,000	(53,070)	11,930
Wagoner Ford Sanitary Sewer Cleaning	500,000	(356,051)	143,949
Basement Flooding Abatement Program	500,000	(14,168)	485,832
Dewatering Pad Replacement @ WWTP	125,000	(72,614)	52,386
Paving Improvements	58,984	(25,190)	33,794
AWT Facilities Improvements	736,974	(13,733)	723,241
Roof Replacement @ WTP	156,199	(127,385)	28,814
Sanitary Force Main Rehab	2,000,000	(595,204)	1,404,796
Web-Based O&M Manual @ WWTP	500,000	(117,301)	382,699
AWT Improvement Phase III	10,095,000	(9,402,440)	692,560
Anthracite Coal Filtering	390,000	(50,602)	339,398
54" Force Main Repairs	190,000	(158,736)	31,264
Sanitary Master Plan & System Model	2,043,400	(699,705)	1,343,695
Sanitary Flow Monitoring Program	850,000	(550,890)	299,110
2004 Roof Replacements @ SM & WWT	<u>594,000</u>	<u>(475,254)</u>	<u>118,746</u>
Total	<u>\$ 25,134,432</u>	<u>\$ (16,584,584)</u>	<u>\$ 8,549,848</u>
 <u>Storm Water</u>			
Storm Pump Station Improvement	\$ 150,000	\$ (145,342)	\$ 4,658
Storm Sewer Master Plan	170,306	-	170,306
Blanche St. Storm Sewer Replacement	<u>324,152</u>	<u>(318,743)</u>	<u>5,409</u>
Total	<u>\$ 644,458</u>	<u>\$ (464,085)</u>	<u>\$ 180,373</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In previous years, the City entered into capitalized leases for computer equipment, copiers, and land.

The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standard No. 13 “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets consisting of computer equipment in the General fund, copiers in the Stores and Reproduction internal service fund and computer equipment in the Water enterprise fund have been capitalized in the amounts of \$205,326, \$343,990 and \$203,007, respectively. This represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2006, for the computer equipment in the General fund, copiers in the Stores and Reproduction fund and computer equipment in the water fund was \$40,601, \$41,065, and \$352,431, respectively, leaving a current book value of \$162,406, \$164,261 and \$4,708, respectively. Capital assets consisting of land have been booked in the amount of \$4,500,000 in a nonmajor governmental fund. Principal payments in fiscal year 2006 totaled \$65,627, \$501,000, \$76,813 and \$64,886 made out of the General fund, nonmajor governmental fund, Stores and Reproduction fund, and Water fund, respectively.

The following is an analysis of assets leased under capital leases as of December 31, 2006:

	Governmental Activities		<u>Internal Service Stores and Reproduction Fund</u>	<u>Enterprise Water Fund</u>
	General Fund	Nonmajor Governmental Funds		
Equipment	\$ 205,326	\$ -	\$ 343,990	\$ 203,007
Land	-	4,500,000	-	-
Total	\$ 205,326	\$ 4,500,000	\$ 343,990	\$ 203,007

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006:

Year Ending December 31	Governmental		Internal Service Stores and Reproduction Fund	Enterprise Water Fund
	Activities			
	General Fund	Nonmajor Governmental Funds		
2007	\$ 71,296	\$ 501,000	\$ 49,000	\$ 70,491
2008	-	501,000	-	-
2009	-	1,494,000	-	-
Total	71,296	2,496,000	49,000	70,491
Less: amount representing interest	(2,893)	-	(1,282)	(2,861)
Present value of minimum lease payments	<u>\$ 68,403</u>	<u>\$ 2,496,000</u>	<u>\$ 47,718</u>	<u>\$ 67,630</u>

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, 2006, are as follows:

Year Ending December 31	Minimum Lease Payments
2007	\$ 1,878,014
2008	1,795,038
2009	1,712,062
2010	1,665,665
2011	1,619,268
2012 - 2042	<u>16,718,422</u>
Totals	<u>\$ 25,388,469</u>

The City is also the lessor of land and space to the Riverfront Area Redevelopment Enterprises, Inc. The ground lease is \$9,000 per year and the plaza lease is \$1,000 per year, both payable in annual installments before or on April 1 each year for the next 20 years. Both of these payments must be made each year for the \$560,000 loan payment to be forgiven each year (see Note 9). The 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, 2006, are as follows:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

<u>Year Ending</u> <u>December 31</u>	<u>Minimum</u> <u>Lease Payments</u>
2007	\$ 10,000
2008	10,000
2009	10,000
2010	10,000
2011	10,000
2012 - 2016	50,000
2017 - 2019	<u>30,000</u>
Totals	<u>\$ 130,000</u>

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Issue Date	Maturity Date	Interest Rate (%)	Original				Amounts	
				Issue Amount	Balance 12/31/05	Increase	Decrease	Balance 12/31/06	Due in One Year
<i>Governmental Activities:</i>									
General Obligation Bonds:									
Western Avenue Improvement	06/01/86	12/01/06	7.625	\$ 9,000,000	\$ 450,000	\$ -	\$ (450,000)	\$ -	\$ -
Wegerzyn Center Improvement	06/01/86	12/01/06	7.625	1,000,000	50,000	-	(50,000)	-	-
Exhibition Center Improvement	06/01/86	12/01/06	7.625	6,200,000	310,000	-	(310,000)	-	-
Road Improvements	06/01/89	12/01/09	7.000	5,200,000	1,040,000	-	(260,000)	780,000	260,000
Human Rehabilitation Center	06/01/89	12/01/09	7.000	2,425,000	500,000	-	(125,000)	375,000	125,000
Police District Facilities	06/01/89	12/01/09	7.000	1,815,000	375,000	-	(90,000)	285,000	95,000
Capital Facilities	10/01/93	11/01/13	4.5 to 4.75	7,465,000	2,880,000	-	(360,000)	2,520,000	360,000
Taxable Housing Improvements	10/01/93	11/01/13	5.35 to 6.5	3,035,000	1,235,000	-	(150,000)	1,085,000	155,000
Capital Facilities	10/01/94	11/01/14	4.5 to 8.0	3,280,000	1,380,000	-	(150,000)	1,230,000	150,000
Capital Facilities	05/01/98	12/01/18	4.6 to 5.0	15,630,000	10,060,000	-	(825,000)	9,235,000	835,000
Capital Facilities	12/01/98	12/01/20	3.1 to 5.125	22,200,000	10,985,000	-	(530,000)	10,455,000	555,000
Capital Facilities	02/01/01	12/01/14	3.75 to 4.65	24,911,861	14,917,646	-	(1,334,874)	13,582,772	1,382,548
Capital Facilities	06/16/04	12/01/19	3.0 to 5.25	11,360,000	<u>10,780,000</u>	<u>-</u>	<u>(600,000)</u>	<u>10,180,000</u>	<u>620,000</u>
Total general obligation bonds					<u>54,962,646</u>	<u>-</u>	<u>(5,234,874)</u>	<u>49,727,772</u>	<u>4,537,548</u>
Revenue Bonds:									
Baseball Revenue Bonds	03/01/99	12/01/19	5.69 to 6.85	12,190,000	9,955,000	-	(455,000)	9,500,000	485,000
Economic Development Revenue Bonds	12/11/02	11/01/12	5.5	1,000,000	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>
Total revenue bonds					<u>10,955,000</u>	<u>-</u>	<u>(1,455,000)</u>	<u>9,500,000</u>	<u>485,000</u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 12/31/05	Increase	Decrease	Balance 12/31/06	Amounts Due in One Year
Special Assessment Bonds:									
Sidewalk Construction	11/01/96	11/01/06	6.000	\$ 29,566	\$ 3,000	\$ -	\$ (3,000)	\$ -	\$ -
Ornamental Lighting	11/01/97	11/01/07	6.000	71,270	14,200	-	(7,100)	7,100	7,100
Sidewalk Construction	11/01/97	11/01/07	6.000	10,141	2,000	-	(1,000)	1,000	1,000
Sidewalk Construction	11/01/98	11/01/08	6.000	9,098	2,700	-	(900)	1,800	900
Sidewalk Construction	11/01/00	11/01/10	6.000	127,575	64,000	-	(12,800)	51,200	12,800
Sidewalk Construction	12/01/01	12/01/06	6.000	23,528	4,700	-	(4,700)	-	-
Sidewalk Construction	12/01/01	12/01/11	6.000	11,089	6,600	-	(1,100)	5,500	1,100
Sidewalk Construction	11/01/02	11/01/07	6.000	174,863	70,000	-	(35,000)	35,000	35,000
Sidewalk Construction	11/01/02	11/01/12	6.000	251,050	175,700	-	(25,100)	150,600	25,100
Ornamental Lighting	11/01/02	11/01/12	6.000	88,276	61,600	-	(8,800)	52,800	8,800
Sidewalk Construction	12/01/03	12/01/06	6.000	54,813	18,000	-	(18,000)	-	-
Sidewalk Construction	12/01/03	12/01/08	6.000	172,725	105,000	-	(35,000)	70,000	35,000
Sidewalk Construction	12/01/03	12/01/13	6.000	167,947	133,600	-	(16,700)	116,900	16,700
Sidewalk Construction	12/01/04	12/01/07	6.000	26,559	17,600	-	(8,800)	8,800	8,800
Sidewalk Construction	12/01/04	12/01/09	6.000	112,047	89,600	-	(22,400)	67,200	22,400
Sidewalk Construction	12/01/04	12/01/14	6.000	232,415	208,800	-	(23,200)	185,600	23,200
Total special assessment bonds					977,100	-	(223,600)	753,500	197,900
Other long-term obligations									
Judgments					4,901	10,018	-	14,919	-
Claims					10,653,147	-	(972,772)	9,680,375	500,585
Compensated absences					11,297,365	3,565,008	(3,767,607)	11,094,766	3,750,226
Capital lease obligations					3,255,561	-	(643,440)	2,612,121	617,121
Total other long-term obligations					25,210,974	3,575,026	(5,383,819)	23,402,181	4,867,932
Total governmental activities					\$ 92,105,720	\$ 3,575,026	\$ (12,297,293)	83,383,453	\$ 10,088,380
Add: unamortized bond premium								204,881	
Total on statement of net assets								\$ 83,588,334	

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

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

Compensated absences will be paid from the fund from which the employees' salaries are paid which for the City, is primarily the general fund, Street Maintenance fund, and the HUD 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Capital leases will be paid from the general fund, the Other Special Revenue fund and the Stores and Reproduction internal service fund.

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$209,882,502 and unvoted legal debt margin was \$104,594,634.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2006 for the governmental activities:

Year	General Obligation Bonds			Revenue Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 4,537,548	\$ 2,325,102	\$ 6,862,650	\$ 485,000	\$ 642,746	\$ 1,127,746	\$ 197,900	\$ 45,210	\$ 243,110
2008	4,643,890	2,120,943	6,764,833	515,000	612,288	1,127,288	146,000	33,336	179,336
2009	4,957,280	1,910,756	6,868,036	545,000	579,689	1,124,689	110,100	24,576	134,676
2010	4,288,244	1,685,046	5,973,290	580,000	544,918	1,124,918	87,700	17,970	105,670
2011	5,132,699	1,495,155	6,627,854	620,000	505,188	1,125,188	74,900	12,708	87,608
2012 - 2016	18,058,111	4,233,170	22,291,281	3,795,000	1,828,953	5,623,953	136,900	13,392	150,292
2017 - 2020	8,110,000	859,342	8,969,342	2,960,000	414,768	3,374,768	-	-	-
Totals	\$ 49,727,772	\$ 14,629,514	\$ 64,357,286	\$ 9,500,000	\$ 5,128,550	\$ 14,628,550	\$ 753,500	\$ 147,192	\$ 900,692

B. Changes during 2006 in the City's long-term business-type obligations were as follows:

Business Type Activities:	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 12/31/05	Increase	Decrease	Balance 12/31/06	Amounts
									Due in One Year
General Obligation Bonds:									
Golf renovations	02/01/01	12/14/14	3.30 to 4.65	\$ 3,828,139	\$ 2,292,354	\$ -	\$ (205,126)	\$ 2,087,228	\$ 212,452
Total general obligation bonds					2,292,354	-	(205,126)	2,087,228	212,452
Revenue Bonds:									
Dayton International Airport	10/01/95	12/15/15	3.85 to 5.5	30,510,000	6,445,000	-	(1,500,000)	4,945,000	1,565,000
Refunding Waterworks	03/01/99	12/01/07	3.50 to 4.15	46,690,000	11,040,000	-	(5,850,000)	5,190,000	5,190,000
Dayton International Airport	10/31/03	12/01/32	2.00 to 5.00	6,085,000	5,870,000	-	(125,000)	5,745,000	125,000
Dayton International Airport	10/31/03	12/01/11	2.00 to 3.75	9,330,000	7,590,000	-	(1,055,000)	6,535,000	1,090,000
Dayton International Airport	10/31/03	12/01/32	2.00 to 5.35	30,190,000	29,400,000	-	(595,000)	28,805,000	610,000
Dayton International Airport	10/12/05	12/01/20	3.00 to 4.35	6,000,000	6,000,000	-	(310,000)	5,690,000	320,000
Dayton International Airport	10/12/05	12/01/15	3.00 to 5.00	13,865,000	13,865,000	-	(45,000)	13,820,000	40,000
Total revenue bonds					80,210,000	-	(9,480,000)	70,730,000	8,940,000

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 12/31/05	Increase	Decrease	Balance 12/31/06	Amounts Due in One Year
General Obligation Notes									
Airport Notes Series A 2006	07/06/06	12/01/10	5.00	\$ 4,685,000	\$ -	\$ 4,685,000	\$ -	\$ 4,685,000	\$ 1,400,000
Airport Notes Series B 2006	07/06/06	12/01/10	5.95-6.00	2,030,000	-	2,030,000	-	2,030,000	600,000
Total general obligation notes					-	6,715,000	-	6,715,000	2,000,000
Other long-term obligations									
Ohio Water Development Authority Loan	12/20/88	07/01/23	3.80 to 8.3	\$ 73,198,476	\$ 21,005,877	\$ -	\$ (3,381,510)	\$ 17,624,367	\$ 3,253,165
Ohio Public Works Commission Loan	07/01/97	01/01/20	0.00	1,000,000	750,000	-	(50,000)	700,000	50,000
Compensated absences payable					2,758,188	2,372,782	(1,893,307)	3,237,663	1,073,926
Capital lease obligations					132,516	-	(64,886)	67,630	67,630
Total other long-term obligations					24,646,581	2,372,782	(5,389,703)	21,629,660	4,444,721
Total business-type activities					\$ 107,148,935	\$ 9,087,782	\$ (15,074,829)	101,161,888	\$ 15,597,173
Less: unamortized deferred charge on refunding								(1,509,042)	
Add: unamortized bond premiums								262,801	
Total on statement of net assets								\$ 99,915,647	

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 and for water system improvements. The revenue bonds are pledged against the revenue generated by the specific enterprise fund, and will be paid from the respective enterprise fund.

On 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

On October 31, 2003, the City issued revenue bonds (Series 2003 Bonds). A portion of the proceeds of the 2003 bonds were issued to retire \$8,000,000 in general obligation bond anticipation notes that the City issued to pay costs of Airport improvements and to prepay the City's obligations for the lease-purchase agreement entered into to finance the terminal environment restoration project. Portions of the bonds were used to improve the Airport by the acquisition, construction, furnishing and equipping of parking, roadway, airfield and terminal improvements and providing all necessary and related improvements. A portion of the proceeds was used to advance refund the Series 1992 bonds (principal \$8,235,000) and variable interest rates. The issuance proceeds were deposited into a special escrow trust fund, which consists of cash and direct or guaranteed non-callable government obligations. The principal of this escrow trust, when due, will be sufficient to pay on the redemption date the principal of, redemption premium and interest on the Series 1992 bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net assets.

The 1995 revenue bonds in the Dayton International Airport enterprise fund are reported at carrying value. Face value of the bond was \$33,960,000. The unamortized bond discount was \$154,100 and the unamortized deferred charge on the 1995 refunding was \$877,169. The deferred charge is being amortized as part of interest expense over the life of the new debt.

The revenue bonds in the Water enterprise fund are reported at carrying value. Face value of the bond was \$32,260,000. The unamortized deferred charge on the 1999 refunding was \$56,450. The deferred charge is being amortized as part of interest expense over the life of the new debt.

The Dayton International Airport general obligation notes payable were issued on July 6, 2006 in the amounts of \$6,485,000 and 2,030,000. 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, 2006, the City had outstanding borrowings of \$17,624,367 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, 2006, the future annual debt service principal and interest payments for one OWDA loan was unavailable because monies related to the project are still being disbursed and the loan is not finalized.

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

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

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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, 2006 for the business-type activities:

<u>Year</u>	<u>General Obligation Bonds</u>			<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 212,452	\$ 89,855	\$ 302,307	\$ 8,940,000	\$ 3,278,080	\$ 12,218,080
2008	221,110	81,463	302,573	3,905,000	2,913,279	6,818,279
2009	277,720	72,509	350,229	4,055,000	2,761,112	6,816,112
2010	241,756	60,983	302,739	4,225,000	2,593,078	6,818,078
2011	362,301	50,709	413,010	5,090,000	2,445,532	7,535,532
2012 - 2016	771,889	62,620	834,509	16,660,000	9,471,818	26,131,818
2017 - 2021	-	-	-	7,925,000	6,426,650	14,351,650
2022 - 2026	-	-	-	7,680,000	4,491,450	12,171,450
2027 - 2031	-	-	-	9,935,000	2,251,220	12,186,220
2032	-	-	-	2,315,000	122,997	2,437,997
Totals	\$ 2,087,228	\$ 418,139	\$ 2,505,367	\$ 70,730,000	\$ 36,755,216	\$ 107,485,216

<u>Year</u>	<u>OWDA Loans</u>			<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,820,665	\$ 571,143	\$ 3,391,808	\$ 50,000	\$ -	\$ 50,000
2008	2,827,494	357,954	3,185,448	50,000	-	50,000
2009	185,124	144,491	329,615	50,000	-	50,000
2010	192,509	137,106	329,615	50,000	-	50,000
2011	200,188	129,427	329,615	50,000	-	50,000
2012 - 2016	1,127,288	520,789	1,648,077	250,000	-	250,000
2017 - 2021	1,370,794	277,282	1,648,076	200,000	-	200,000
2022 - 2023	627,924	31,306	659,230	-	-	-
Totals	\$ 9,351,986	\$ 2,169,498	\$ 11,521,484	\$ 700,000	\$ -	\$ 700,000

<u>Year</u>	<u>Airport Note Series A 2006</u>			<u>Airport Note Series B 2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,400,000	\$ 328,601	\$ 1,728,601	\$ 600,000	\$ 170,438	\$ 770,438
2008	1,400,000	164,250	1,564,250	600,000	85,800	685,800
2009	1,400,000	94,250	1,494,250	600,000	49,800	649,800
2010	485,000	24,250	509,250	230,000	13,800	243,800
Totals	\$ 4,685,000	\$ 611,351	\$ 5,296,351	\$ 2,030,000	\$ 319,838	\$ 2,349,838

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 14 - SHORT-TERM NOTES PAYABLE

A summary of the business-type activities short-term notes payable transactions for the year ended December 31, 2006, follows:

<i>Business-type Activities:</i>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Balance</u> <u>12/31/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/06</u>
General Obligation Notes:							
Airport Notes Series 2005	07/06/05	07/06/06	3.25	\$ 6,675,000	\$ -	\$ (6,675,000)	\$ -
Total G.O. notes				\$ 6,675,000	\$ -	\$ (6,675,000)	\$ -

The City issued general obligation notes on July 6, 2005 in the amount of \$6,675,000. These notes were used for various capital improvements to the Dayton International Airport.

NOTE 15 - 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 2006, 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	749,032,934
Vehicles	60,337,917
General Liability (North West Railway)	5,000,000
Commercial Liability (Convention Center)	1,000,000
Tenant Liability (Convention Center)	1,000,000
Errors and Omissions (Ambulance Attendants)	500,000
Garagekeepers/Operators Liability	1,000,000
Comprehensive/Catastrophic Fleet	20,000,000
Air Show Liability	50,000,000
Inland Marine	335,700

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - RISK MANAGEMENT - (Continued)

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, 2006, there were no material outstanding claims pending that should be reported in the general fund. Claims activity for 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Claims payable, beginning of the year	\$ -	\$ -
Current year claims and changes in estimates	1,000,364	119,056
Claim payments	<u>(1,000,364)</u>	<u>(119,056)</u>
Claims payable, end of year	<u>\$ -</u>	<u>\$ -</u>

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 \$9,680,375 reported at December 31, 2006, as estimated by the third party administrator, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Of the \$9,680,375 claims liability, \$500,585 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 \$9,179,790. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - RISK MANAGEMENT - (Continued)

Changes in the funds' claims liability amount in 2006 and 2005 were:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2006	\$ 10,653,147	\$ 2,368,519	\$ (3,341,291)	\$ 9,680,375
2005	10,772,100	1,898,839	(2,017,792)	10,653,147

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

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

B. Insurance Benefits

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 16 - OTHER EMPLOYEE BENEFITS - (Continued)

C. Deferred Compensation Plans

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

NOTE 17 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to 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, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$7,723,282, \$7,935,280, and \$7,916,399, respectively; 90.03% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$770,345, is recorded as a liability. The City and the plan members did not make any contributions to the member-directed plan for 2006.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 11.75% for police officers and 16.25% for firefighters. The City's contributions for pension obligations to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$6,851,687, \$6,661,923, and \$8,864,735, respectively; 71.67% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$1,940,990, is recorded as a liability.

NOTE 18 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,777,693. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$2,069,519 for police and \$1,771,306 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 (the latest information available), was 13,922 for police and 10,537 for firefighters.

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a modified accrual basis with exceptions. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year ended December 31, 2006, on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ (3,211,727)
Net adjustment for revenues	(2,390,096)
Net adjustment for expenditures	(5,108,815)
Net adjustment for other sources/uses	(67,602)
Adjustment for encumbrances	<u>3,567,856</u>
GAAP basis	<u>\$ (7,210,384)</u>

NOTE 20 - CONDUIT DEBT OBLIGATIONS

The City has the following conduit debt obligations at December 31, 2006:

	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Emery Revenue Refunding - 1998	\$ 46,000,000	\$ 46,000,000
Emery Revenue Refunding - 1996	17,000,000	17,000,000
Emery Revenue Refunding - 1996	13,000,000	13,000,000
Emery Revenue Refunding - 1996	16,000,000	16,000,000
Emery Revenue Refunding - 1996	16,000,000	16,000,000
Ohio Special Facilities Revenue - 1999	7,015,000	6,265,000

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

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT

A. Basis of Accounting

CityWide prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement Number 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. 30, as amended by GASB Statement No. 34

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)

B. Deposits and Investments

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

Deposits:

The carrying amount of Citywide Development Corporation deposits was \$1,068,926 and the related bank balance was \$1,349,193. Of the bank balance \$584,798 was covered by federal depository insurance, and \$764,395 was uncollateralized and uninsured.

Investments:

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

	<u>Category 1</u>	<u>Fair Value</u>
Bond Funds	\$ 849,567	\$ 849,567
CDs Held to Maturity	825,000	825,000
Money Markets	-	115,125
Commercial paper	547,997	547,999
Total Investments	\$ 2,222,564	\$ 2,337,691

A reconciliation to the Statement of Net Assets follows:

Cash and equivalents	\$ 1,009,027
Investments	2,222,564
Restricted cash	175,024
Total per statement of net assets	\$ 3,406,615
Deposits	1,068,926
Investments	2,337,689
Total per GASB Statement No. 3	\$ 3,406,615

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT – (Continued)

C. Notes Payable Advance from Primary Government

Notes payable/advance from primary government at December 31, 2006, 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	2,042,005
Note for Renovation of Western Manor	City of Dayton and the Dayton Montgomery County Housing Authority	86,455
Note for redevelopment of Hawthorn School Building	City of Dayton	686,406
Note for Webster Street Project	City of Dayton	200,000
Note for development of West 3rd Street	City of Dayton	<u>4,425,000</u>
Total advance from primary government		<u>12,873,466</u>
Note for redevelopment of Hawthorne School Building Development Corporation, Inc.	McPherson Town Neighborhood	
Note for Housing Loans	Third-Party Insurance Company	479,246
Other Notes Payable	Not disclosed	<u>1,120,354</u>
Total Notes Payable		<u>1,599,600</u>
Total Advance from primary government/notes payable		<u>\$ 14,473,066</u>

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

D. Bonds Payable

In fiscal year 2003, Citywide issued \$13,600,000 in Floating Rate Option notes. The proceeds of these bonds were used for the redevelopment of the Reynolds and Reynolds Technical Assistance Center. During 2003, the City also issued \$1,000,000 in Economic Development Revenue bonds with an interest rate of 5 percent. These bonds were paid off during 2006.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)

Principal maturities due under these agreements are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2007	\$ 310,000
2008	335,000
2009	350,000
2010	375,000
2011	405,000
Thereafter	<u>890,000</u>
Total	<u>\$ 2,665,000</u>

E. Loans Payable

Citywide has a real estate loan with a financial institution, with stated interest of 8.75% and an effective rate of approximately 3% less through Montgomery County linked program. This agreement contains a subjective acceleration clause. The loan is collateralized by property and income from property. The balance of the loan at December 31, 2006 is \$70,759. 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 matures on September 1, 2009. The balance of the loan at December 31, 2006 is \$1,145,087.

During 2006, Citywide has a real estate loan with a financial institution, with a stated interest rate of 11.45%. The loan was relieved upon transfer of the building back to the original owner on August 30, 2006.

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</u> <u>December 31</u>	<u>Amount</u>
2007	\$ 93,100
2008	93,602
2009	1,029,144
2010	<u>100,000</u>
Total	<u>\$ 1,315,846</u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 22 - CONTINGENCIES

A. Litigation

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

B. Grants

For the period January 1, 2006, to December 31, 2006, 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 23 - SIGNIFICANT SUBSEQUENT EVENTS

On October 9, 2007, the City issued \$19,555,000 of general obligation bonds to fund various projects as well as to provide for the advance refunding of general obligation bonds previous issued.

COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES

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CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

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

Street

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

Highway Maintenance

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

HUD Programs

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

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

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

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

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

Law Enforcement

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

Miscellaneous Grants

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

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued)

Other Special Revenue

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

Nonmajor Capital Projects Funds

Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by the proprietary or nonexpendable trust funds. The following is a description of all the City's nonmajor capital projects funds:

Economic Development/Government Equity Improvement

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

Issue II

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

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

Nonmajor Permanent Fund

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

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

CITY OF DAYTON, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 113,236,300	\$ 112,296,600	\$ 113,767,671	\$ 1,471,071
Property and other local taxes	12,202,800	11,949,800	12,241,249	291,449
State shared taxes	15,818,000	16,615,400	16,683,900	68,500
Charges for services	19,985,000	20,727,500	20,906,103	178,603
Licenses and permits.	1,719,800	1,505,000	1,693,325	188,325
Fines and forfeitures.	1,400,000	1,423,600	1,570,616	147,016
Intergovernmental.	-	312,600	312,500	(100)
Special assessments	267,200	267,200	228,267	(38,933)
Investment income	4,798,100	5,041,400	4,827,678	(213,722)
Other	2,289,900	2,292,900	2,362,726	69,826
Total revenues.	171,717,100	172,432,000	174,594,035	2,162,035
Expenditures:				
General operating:				
Clerk of commission	1,071,900	1,194,600	1,040,128	154,472
Civil service board	1,147,900	1,107,300	1,058,982	48,318
Human relations council	855,000	892,000	823,307	68,693
Youth commission.	300,000	275,000	64,904	210,096
City manager's office	886,800	830,700	753,464	77,236
Department of public affairs.	732,400	818,200	788,487	29,713
Cable TV operations	377,100	369,700	343,891	25,809
Department of planning & community development.	3,000,300	2,811,200	2,736,581	74,619
Department of building services	2,356,800	2,367,300	2,252,970	114,330
Clerk of courts	3,408,000	3,408,000	3,298,046	109,954
Municipal court.	3,736,800	3,736,800	3,555,453	181,347
Office of economic development.	1,417,800	1,405,500	1,381,791	23,709
Department of management and budget	1,038,100	928,100	807,590	120,510
Department of water	80,000	80,000	78,240	1,760
Department of law	1,991,400	2,049,400	1,952,012	97,388
Department of finance	4,000,300	3,392,000	3,284,249	107,751
Department of human resources	1,087,300	1,096,000	1,091,357	4,643
Department of information and technology services	7,770,000	7,595,000	7,388,058	206,942
Department of police.	48,166,400	48,283,400	47,789,995	493,405
Department of fire	36,288,000	37,018,000	36,480,891	537,109
Department of public works	27,062,400	27,470,000	26,886,021	583,979
Department of parks, recreation and culture.	6,660,900	6,410,600	6,039,733	370,867
Non-departmental	2,427,100	1,682,300	861,829	820,471
Convention center operating	3,846,800	3,805,600	3,619,503	186,097
Special assessments	267,200	267,200	120,119	147,081
Special projects	1,414,400	1,609,400	1,532,200	77,200
Total expenditures.	161,391,100	160,903,300	156,029,801	4,873,499
Excess (deficiency) of revenues over (under) expenditures.	10,326,000	11,528,700	18,564,234	7,035,534
Other financing sources (uses):				
Transfers in	122,000	42,500	67,602	25,102
Transfers out	(10,448,000)	(26,581,100)	(21,843,563)	4,737,537
Total other financing sources (uses).	(10,326,000)	(26,538,600)	(21,775,961)	4,762,639
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses.	-	(15,009,900)	(3,211,727)	11,798,173
Fund balance at beginning of year.	18,177,447	18,177,447	18,177,447	-
Prior year encumbrances appropriated.	1,834,218	1,834,218	1,834,218	-
Fund balance at end of year.	\$ 20,011,665	\$ 5,001,765	\$ 16,799,938	\$ 11,798,173

CITY OF DAYTON, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 18,229,574	\$ 445,810	\$ 78,941	\$ 18,754,325
Investments	-	-	93,758	93,758
Receivables (net of allowances of uncollectibles):				
Accounts	48,652	-	-	48,652
Special assessments	165,522	-	-	165,522
Accrued interest	12,580	-	-	12,580
Prepayments	594	-	-	594
Due from other governments	6,115,633	25,428	-	6,141,061
Advances to component unit	5,436,246	-	-	5,436,246
Total assets	<u>\$ 30,008,801</u>	<u>\$ 471,238</u>	<u>\$ 172,699</u>	<u>\$ 30,652,738</u>
Liabilities:				
Accounts payable	\$ 418,105	\$ -	\$ 2,666	\$ 420,771
Contracts payable	561,384	148,722	-	710,106
Accrued wages and benefits	313,152	-	-	313,152
Compensated absences payable	12,856	-	-	12,856
Retainage payable	27,213	-	-	27,213
Due to other funds	790,367	-	-	790,367
Due to other governments	34,970	-	-	34,970
Interfund payable	2,555,340	1,106,153	-	3,661,493
Deferred revenue	4,156,814	25,428	-	4,182,242
Total liabilities	<u>8,870,201</u>	<u>1,280,303</u>	<u>2,666</u>	<u>10,153,170</u>
Fund Balances:				
Reserved for encumbrances	13,324,290	671,731	-	13,996,021
Reserved for prepayments	594	-	-	594
Reserved for advances to component unit	5,436,246	-	-	5,436,246
Reserved for contributions to permanent fund	-	-	102,228	102,228
Unreserved, designated for, reported in:				
Street maintenance	1,253,000	-	-	1,253,000
Undesignated (deficit), reported in:				
Special revenue funds	1,124,470	-	-	1,124,470
Permanent funds	-	-	67,805	67,805
Capital projects funds	-	(1,480,796)	-	(1,480,796)
Total fund balances	<u>21,138,600</u>	<u>(809,065)</u>	<u>170,033</u>	<u>20,499,568</u>
Total liabilities and fund balances	<u>\$ 30,008,801</u>	<u>\$ 471,238</u>	<u>\$ 172,699</u>	<u>\$ 30,652,738</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Property and other local taxes	\$ 3,708	\$ -	\$ -	\$ 3,708
State shared taxes.	5,501,680	-	-	5,501,680
Charges for services	1,449,683	90,000	-	1,539,683
Licenses and permits	4,120	-	-	4,120
Fines and forfeitures	1,862,386	-	-	1,862,386
Intergovernmental	9,075,847	3,505,350	-	12,581,197
Special assessments	526,876	-	-	526,876
Investment income	73,984	-	5,974	79,958
Other	1,275,117	137,396	2,935	1,415,448
Total revenues.	19,773,401	3,732,746	8,909	23,515,056
Expenditures:				
Current:				
Youth, education and human services.	1,799,250	-	-	1,799,250
Community development and neighborhoods.	6,187,771	-	-	6,187,771
Economic development	4,665,870	1,349,936	-	6,015,806
Leadership and quality of life	10,989,845	-	-	10,989,845
Corporate responsibility.	3,164,616	-	-	3,164,616
Public safety and justice.	2,423,107	-	-	2,423,107
Other.	1,466	-	-	1,466
Capital outlay	-	503,741	-	503,741
Debt service:				
Principal retirement	501,000	-	-	501,000
Total expenditures.	29,732,925	1,853,677	-	31,586,602
Excess (deficiency) of revenues over (under) expenditures.	(9,959,524)	1,879,069	8,909	(8,071,546)
Other financing sources:				
Transfers in	11,844,899	-	-	11,844,899
Total other financing sources.	11,844,899	-	-	11,844,899
Net change in fund balances	1,885,375	1,879,069	8,909	3,773,353
Fund balances (deficit) at beginning of year	19,253,225	(2,688,134)	161,124	16,726,215
Fund balances (deficit) at end of year.	\$ 21,138,600	\$ (809,065)	\$ 170,033	\$ 20,499,568

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2006

	<u>Street</u>	<u>Highway Maintenance</u>	<u>HUD Programs</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,212,304	\$ 311,718	\$ -
Receivables (net of allowances of uncollectibles):			
Accounts.	-	-	-
Special assessments, net.	-	-	165,522
Accrued interest	-	-	-
Due from other governments	2,361,571	191,478	1,228,464
Prepayments.	-	-	-
Advances to component unit	-	-	5,436,246
	<hr/>	<hr/>	<hr/>
Total assets.	<u>\$ 5,573,875</u>	<u>\$ 503,196</u>	<u>\$ 6,830,232</u>
Liabilities:			
Accounts payable.	\$ 151,409	\$ -	\$ 23,122
Contracts payable.	-	-	406,358
Accrued wages and benefits	138,824	-	141,704
Compensated absences payable	-	-	12,856
Retainage payable	-	-	27,213
Due to other funds	18,392	-	769,234
Due to other governments	-	-	-
Interfund loan payable	-	-	1,138,591
Deferred revenue.	1,582,713	129,551	165,522
	<hr/>	<hr/>	<hr/>
Total liabilities.	<u>1,891,338</u>	<u>129,551</u>	<u>2,684,600</u>
Fund Balances:			
Reserved for encumbrances	344,954	-	8,247,355
Reserved for prepayments	-	-	-
Reserved for advances to component unit	-	-	5,436,246
Unreserved, designated for, reported in:			
Street maintenance.	1,253,000	-	-
Unreserved, undesignated (deficit), reported in:			
Special revenue funds	2,084,583	373,645	(9,537,969)
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Total fund balances	<u>3,682,537</u>	<u>373,645</u>	<u>4,145,632</u>
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Total liabilities and fund balances.	<u>\$ 5,573,875</u>	<u>\$ 503,196</u>	<u>\$ 6,830,232</u>

<u>Law Enforcement</u>	<u>Miscellaneous Grants</u>	<u>Other Special Revenue</u>	<u>Total</u>
\$ 2,782,934	\$ 878,168	\$ 11,044,450	\$ 18,229,574
-	-	48,652	48,652
-	-	-	165,522
9,193	-	3,387	12,580
252,850	2,081,270	-	6,115,633
-	-	594	594
-	-	-	5,436,246
<u>\$ 3,044,977</u>	<u>\$ 2,959,438</u>	<u>\$ 11,097,083</u>	<u>\$ 30,008,801</u>
\$ 89,399	\$ 104,355	\$ 49,820	\$ 418,105
-	39,316	115,710	561,384
2,148	25,951	4,525	313,152
-	-	-	12,856
-	-	-	27,213
1,174	900	667	790,367
-	34,970	-	34,970
-	1,416,749	-	2,555,340
258,549	2,018,379	2,100	4,156,814
<u>351,270</u>	<u>3,640,620</u>	<u>172,822</u>	<u>8,870,201</u>
552,122	3,232,595	947,264	13,324,290
-	-	594	594
-	-	-	5,436,246
-	-	-	1,253,000
<u>2,141,585</u>	<u>(3,913,777)</u>	<u>9,976,403</u>	<u>1,124,470</u>
<u>2,693,707</u>	<u>(681,182)</u>	<u>10,924,261</u>	<u>21,138,600</u>
<u>\$ 3,044,977</u>	<u>\$ 2,959,438</u>	<u>\$ 11,097,083</u>	<u>\$ 30,008,801</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, 2006

	<u>Street</u>	<u>Highway Maintenance</u>	<u>HUD Programs</u>
Revenues:			
Property and other local taxes	\$ 3,708	\$ -	\$ -
State shared taxes	5,122,286	379,394	-
Charges for services	383,679	-	315,991
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	-	-	7,678,696
Special assessments	-	-	526,876
Investment income	-	-	-
Other	150,071	-	199,553
Total revenues	<u>5,659,744</u>	<u>379,394</u>	<u>8,721,116</u>
Expenditures:			
Current:			
Youth, education and human services	-	-	1,799,250
Community development and neighborhoods	-	-	5,631,980
Economic development	-	-	100,211
Leadership and quality of life	8,864,039	366,667	1,054,929
Corporate responsibility	-	-	1,527,816
Public safety and justice	-	-	-
Other	66	-	-
Debt service:			
Principal retirement	-	-	-
Total expenditures	<u>8,864,105</u>	<u>366,667</u>	<u>10,114,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,204,361)</u>	<u>12,727</u>	<u>(1,393,070)</u>
Other financing sources:			
Transfers in	<u>3,950,000</u>	<u>-</u>	<u>469,513</u>
Total other financing sources	<u>3,950,000</u>	<u>-</u>	<u>469,513</u>
Net change in fund balances	745,639	12,727	(923,557)
Fund balances at beginning of year	<u>2,936,898</u>	<u>360,918</u>	<u>5,069,189</u>
Fund balances (deficit) at end of year	<u>\$ 3,682,537</u>	<u>\$ 373,645</u>	<u>\$ 4,145,632</u>

Law Enforcement	Miscellaneous Grants	Other Special Revenue	Total
\$ -	\$ -	\$ -	\$ 3,708
-	-	-	5,501,680
8,020	683,898	58,095	1,449,683
-	-	4,120	4,120
1,862,386	-	-	1,862,386
709,728	687,423	-	9,075,847
-	-	-	526,876
55,791	-	18,193	73,984
9,531	275,331	640,631	1,275,117
<u>2,645,456</u>	<u>1,646,652</u>	<u>721,039</u>	<u>19,773,401</u>
-	-	-	1,799,250
-	555,791	-	6,187,771
-	1,653,859	2,911,800	4,665,870
4,261	375,916	324,033	10,989,845
-	16,800	1,620,000	3,164,616
1,428,105	971,527	23,475	2,423,107
-	-	1,400	1,466
-	-	501,000	501,000
<u>1,432,366</u>	<u>3,573,893</u>	<u>5,381,708</u>	<u>29,732,925</u>
<u>1,213,090</u>	<u>(1,927,241)</u>	<u>(4,660,669)</u>	<u>(9,959,524)</u>
<u>27,871</u>	<u>22,515</u>	<u>7,375,000</u>	<u>11,844,899</u>
<u>27,871</u>	<u>22,515</u>	<u>7,375,000</u>	<u>11,844,899</u>
1,240,961	(1,904,726)	2,714,331	1,885,375
<u>1,452,746</u>	<u>1,223,544</u>	<u>8,209,930</u>	<u>19,253,225</u>
<u>\$ 2,693,707</u>	<u>\$ (681,182)</u>	<u>\$ 10,924,261</u>	<u>\$ 21,138,600</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ -	\$ 3,700	\$ 3,708	\$ 8
State shared taxes	5,483,200	5,215,100	5,226,038	10,938
Charges for services	395,000	396,600	396,609	9
Other	-	116,300	116,271	(29)
Total revenues.	<u>5,878,200</u>	<u>5,731,700</u>	<u>5,742,626</u>	<u>10,926</u>
Expenditures:				
Department of public works	9,270,100	9,186,000	8,847,830	338,170
Total expenditures.	<u>9,270,100</u>	<u>9,186,000</u>	<u>8,847,830</u>	<u>338,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,391,900)</u>	<u>(3,454,300)</u>	<u>(3,105,204)</u>	<u>349,096</u>
Other financing sources:				
Transfers in	3,000,000	3,985,600	3,985,573	(27)
Total other financing sources.	<u>3,000,000</u>	<u>3,985,600</u>	<u>3,985,573</u>	<u>(27)</u>
Net change in fund balance	(391,900)	531,300	880,369	349,069
Fund balance at beginning of year	1,526,577	1,526,577	1,526,577	-
Prior year encumbrances appropriated	86,412	86,412	86,412	-
Fund balance at end of year	<u>\$ 1,221,089</u>	<u>\$ 2,144,289</u>	<u>\$ 2,493,358</u>	<u>\$ 349,069</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared taxes	\$ 400,000	\$ 400,000	\$ 389,029	\$ (10,971)
Total revenues.	400,000	400,000	389,029	(10,971)
Expenditures:				
Department of public works	400,000	400,000	366,667	33,333
Total expenditures.	400,000	400,000	366,667	33,333
Net change in fund balance	-	-	22,362	22,362
Fund balance at beginning of year.	<u>289,357</u>	<u>289,357</u>	<u>289,357</u>	<u>-</u>
Fund balance at end of year	<u>\$ 289,357</u>	<u>\$ 289,357</u>	<u>\$ 311,719</u>	<u>\$ 22,362</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 LAW ENFORCEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 2,104	\$ 7,987	\$ 8,020	\$ 33
Fines and forfeitures.	488,260	1,853,370	1,860,976	7,606
Intergovernmental	235,229	892,898	896,563	3,665
Investment income	14,594	55,396	55,623	227
Other	2,501	9,492	9,531	39
Total revenues.	<u>742,688</u>	<u>2,819,143</u>	<u>2,830,713</u>	<u>11,570</u>
Expenditures:				
Department of police.	665,088	1,986,681	1,927,636	59,045
Total expenditures.	<u>665,088</u>	<u>1,986,681</u>	<u>1,927,636</u>	<u>59,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,600</u>	<u>832,462</u>	<u>903,077</u>	<u>70,615</u>
Other financing sources (uses):				
Transfers in	7,312	27,757	27,871	114
Transfers out	(9,212)	(27,519)	(26,780)	739
Total other financing sources (uses)	<u>(1,900)</u>	<u>238</u>	<u>1,091</u>	<u>853</u>
Net change in fund balance	75,700	832,700	904,168	71,468
Fund balance at beginning of year.	1,060,577	1,060,577	1,060,577	-
Prior year encumbrances appropriated.	184,888	184,888	184,888	-
Fund balance at end of year	<u>\$ 1,321,165</u>	<u>\$ 2,078,165</u>	<u>\$ 2,149,633</u>	<u>\$ 71,468</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, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 1,438,683	\$ 1,903,936	\$ 555,729	\$ (1,348,207)
Intergovernmental	2,499,939	3,308,389	965,667	(2,342,722)
Other	874,260	1,156,986	337,706	(819,280)
Total revenues.	<u>4,812,882</u>	<u>6,369,311</u>	<u>1,859,102</u>	<u>(4,510,209)</u>
Expenditures:				
Other grants	<u>4,744,355</u>	<u>7,809,393</u>	<u>6,794,343</u>	<u>1,015,050</u>
Total expenditures.	<u>4,744,355</u>	<u>7,809,393</u>	<u>6,794,343</u>	<u>1,015,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,527</u>	<u>(1,440,082)</u>	<u>(4,935,241)</u>	<u>(3,495,159)</u>
Other financing sources (uses):				
Transfers in	123,008	162,787	47,515	(115,272)
Transfers out	(30,745)	(50,607)	(43,992)	6,615
Advances in	<u>3,667,710</u>	<u>4,853,803</u>	<u>1,416,749</u>	<u>3,437,054</u>
Total other financing sources (uses)	<u>3,759,973</u>	<u>4,965,983</u>	<u>1,420,272</u>	<u>3,328,397</u>
Net change in fund balance	3,828,500	3,525,901	(3,514,969)	(166,762)
Fund balance at beginning of year.	<u>(2,777,973)</u>	<u>(2,777,973)</u>	<u>(2,777,973)</u>	-
Prior year encumbrances appropriated	<u>3,866,664</u>	<u>3,866,664</u>	<u>3,866,664</u>	-
Fund balance at end of year	<u>\$ 4,917,191</u>	<u>\$ 4,614,592</u>	<u>\$ (2,426,278)</u>	<u>\$ (166,762)</u>

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 OTHER SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ 30,705	\$ 58,094	\$ 58,095	\$ 1
Licenses and permits	2,178	4,120	4,120	-
Investment income	10,818	20,468	20,468	-
Other	<u>377,585</u>	<u>714,388</u>	<u>714,404</u>	<u>16</u>
Total revenues.	<u>421,286</u>	<u>797,070</u>	<u>797,087</u>	<u>17</u>
Expenditures:				
Various departments.	<u>5,242,009</u>	<u>7,998,030</u>	<u>5,683,956</u>	<u>2,314,074</u>
Total expenditures.	<u>5,242,009</u>	<u>7,998,030</u>	<u>5,683,956</u>	<u>2,314,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,820,723)</u>	<u>(7,200,960)</u>	<u>(4,886,869)</u>	<u>2,314,091</u>
Other financing sources (uses):				
Transfers in	3,897,915	7,374,831	7,375,000	169
Transfers out	<u>(1,291)</u>	<u>(1,970)</u>	<u>(1,400)</u>	<u>570</u>
Total other financing sources (uses)	<u>3,896,624</u>	<u>7,372,861</u>	<u>7,373,600</u>	<u>739</u>
Net change in fund balance	(924,099)	171,901	2,486,731	2,314,830
Fund balance at beginning of year.	6,424,962	6,424,962	6,424,962	-
Prior year encumbrances appropriated	<u>714,498</u>	<u>714,498</u>	<u>714,498</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,215,361</u>	<u>\$ 7,311,361</u>	<u>\$ 9,626,191</u>	<u>\$ 2,314,830</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, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other local taxes	\$ 9,166,752	\$ 11,634,691	\$ 11,634,722	\$ 31
Special assessments	242,905	308,302	308,303	1
Intergovernmental.	7,971	10,117	10,117	-
Other	249,758	316,999	317,000	1
Total revenues.	<u>9,667,386</u>	<u>12,270,109</u>	<u>12,270,142</u>	<u>33</u>
Expenditures:				
Department of finance	9,880,300	11,201,700	11,106,221	95,479
Total expenditures.	<u>9,880,300</u>	<u>11,201,700</u>	<u>11,106,221</u>	<u>95,479</u>
Excess (deficiency) of revenues over (under) expenditures	(212,914)	1,068,409	1,163,921	95,512
Other financing sources:				
Sale of capital assets.	78,788	100,000	100,000	-
Sale of bonds.	801,601	1,017,414	1,017,417	3
Transfers in	18,024	22,877	22,877	-
Total other financing sources.	<u>898,413</u>	<u>1,140,291</u>	<u>1,140,294</u>	<u>3</u>
Net change in fund balance	685,499	2,208,700	2,304,215	95,515
Fund balance at beginning of year.	(2,286,782)	(2,286,782)	(2,286,782)	-
Prior year encumbrances appropriated.	17,871	17,871	17,871	-
Fund balance at end of year	<u>\$ (1,583,412)</u>	<u>\$ (60,211)</u>	<u>\$ 35,304</u>	<u>\$ 95,515</u>

CITY OF DAYTON, OHIO
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2006

	Economic Development/ Government Equity Improvement	Issue II	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 445,810	\$ -	\$ 445,810
Receivables (net of allowances of uncollectibles):			
Due from other governments	-	25,428	25,428
Total assets.	<u>\$ 445,810</u>	<u>\$ 25,428</u>	<u>\$ 471,238</u>
Liabilities:			
Contracts payable.	\$ 148,722	\$ -	\$ 148,722
Interfund loan payable	-	1,106,153	1,106,153
Deferred revenue.	-	25,428	25,428
Total liabilities.	<u>148,722</u>	<u>1,131,581</u>	<u>1,280,303</u>
Fund Balances:			
Reserved for encumbrances.	634,097	37,634	671,731
Unreserved, undesignated (deficit), reported in:			
Capital projects funds	<u>(337,009)</u>	<u>(1,143,787)</u>	<u>(1,480,796)</u>
Total fund balances	<u>297,088</u>	<u>(1,106,153)</u>	<u>(809,065)</u>
Total liabilities and fund balances.	<u>\$ 445,810</u>	<u>\$ 25,428</u>	<u>\$ 471,238</u>

CITY OF DAYTON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Economic Development/ Government Equity Improvement	Issue II	Total
Revenues:			
Charges for services	\$ 90,000	\$ -	\$ 90,000
Intergovernmental	706,400	2,798,950	3,505,350
Other	137,396	-	137,396
Total revenues	933,796	2,798,950	3,732,746
Expenditures:			
Current:			
Economic development and assistance	1,349,936	-	1,349,936
Capital outlay	-	503,741	503,741
Total expenditures	1,349,936	503,741	1,853,677
Net changes in fund balances.	(416,140)	2,295,209	1,879,069
Fund balance (deficit) at beginning of year . . .	713,228	(3,401,362)	(2,688,134)
Fund balance (deficit) at end of year.	\$ 297,088	\$ (1,106,153)	\$ (809,065)

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, 2006

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,844,248	\$ 461,488	\$ 4,305,736
Receivables (net of allowances of uncollectibles):			
Special assessments.	431,824	-	431,824
Accounts.	1,352,028	20,674	1,372,702
Due from other funds.	-	223	223
Unamortized bond issuance costs	-	31,276	31,276
Capital assets:			
Land and construction in progress	464,085	594,927	1,059,012
Depreciable capital assets, net	9,692,643	5,107,226	14,799,869
Total capital assets.	<u>10,156,728</u>	<u>5,702,153</u>	<u>15,858,881</u>
Total assets.	<u>15,784,828</u>	<u>6,215,814</u>	<u>22,000,642</u>
Liabilities:			
Accounts payable.	\$ 37,136	\$ 8,659	\$ 45,795
Contracts payable.	-	6,813	6,813
Accrued wages and benefits	49,742	30,592	80,334
Compensated absences payable.	189,930	99,247	289,177
Accrued interest payable	-	6,470	6,470
Due to other funds	715,477	4,696	720,173
Due to other governments	-	437	437
General obligation bonds payable.	-	2,087,228	2,087,228
Total liabilities.	<u>992,285</u>	<u>2,244,142</u>	<u>3,236,427</u>
Net assets:			
Invested in capital assets, net of related debt	10,156,728	3,646,201	13,802,929
Unrestricted	4,635,815	325,471	4,961,286
Total net assets	<u>\$ 14,792,543</u>	<u>\$ 3,971,672</u>	<u>\$ 18,764,215</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Storm Water	Golf	Total
Operating revenues:			
Charges for services	\$ 4,891,766	\$ 3,278,593	\$ 8,170,359
Other	6,366	16,728	23,094
Total operating revenues	<u>4,898,132</u>	<u>3,295,321</u>	<u>8,193,453</u>
Operating expenses:			
Personal services	1,762,346	1,107,596	2,869,942
Benefit payments	583,533	312,176	895,709
Contract services	973,133	784,960	1,758,093
Materials and supplies.	219,550	390,405	609,955
Utilities	72,670	116,890	189,560
Depreciation.	363,336	211,495	574,831
Other.	540,728	77,346	618,074
Total operating expenses	<u>4,515,296</u>	<u>3,000,868</u>	<u>7,516,164</u>
Operating income.	<u>382,836</u>	<u>294,453</u>	<u>677,289</u>
Nonoperating expenses:			
Interest and fiscal charges	-	(135,491)	(135,491)
Total nonoperating expenses.	<u>-</u>	<u>(135,491)</u>	<u>(135,491)</u>
Excess of revenues and other financing sources over expenditures and (uses) before transfers.	382,836	158,962	541,798
Transfers in	-	61,500	61,500
Change in net assets.	382,836	220,462	603,298
Net assets, January 1	<u>14,409,707</u>	<u>3,751,210</u>	<u>18,160,917</u>
Net assets, December 31	<u>\$ 14,792,543</u>	<u>\$ 3,971,672</u>	<u>\$ 18,764,215</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 5,888,578	\$ 3,262,747	\$ 9,151,325
Cash received from other operating revenues	6,680	15,664	22,344
Cash payments for personal services	(1,673,238)	(1,102,612)	(2,775,850)
Cash payments for fringe benefits	(575,619)	(311,087)	(886,706)
Cash payments for contract services.	(1,025,326)	(790,536)	(1,815,862)
Cash payments for materials and supplies.	(221,013)	(407,269)	(628,282)
Cash payments for utilities.	(79,756)	(122,324)	(202,080)
Cash payments for other operating expenses	<u>(540,094)</u>	<u>(51,043)</u>	<u>(591,137)</u>
Net cash provided by operating activities.	<u>1,780,212</u>	<u>493,540</u>	<u>2,273,752</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds.	-	61,500	61,500
Net cash provided by noncapital financing activities	<u>-</u>	<u>61,500</u>	<u>61,500</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(64,011)	(95,340)	(159,351)
Principal paid on bonds	-	(205,126)	(205,126)
Interest paid on bonds	<u>-</u>	<u>(132,217)</u>	<u>(132,217)</u>
Net cash used in capital and related financing activities.	<u>(64,011)</u>	<u>(432,683)</u>	<u>(496,694)</u>
Net increase in cash and cash equivalents.	1,716,201	122,357	1,838,558
Cash and cash equivalents at beginning of year	<u>2,128,047</u>	<u>339,131</u>	<u>2,467,178</u>
Cash and cash equivalents at end of year.	<u>\$ 3,844,248</u>	<u>\$ 461,488</u>	<u>\$ 4,305,736</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income.	\$ 382,836	\$ 294,453	\$ 677,289
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	363,336	211,495	574,831
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable.	1,219,139	(8,609)	1,210,530
Decrease in due from other funds	314	417	731
Increase in special assessments.	(222,327)	-	(222,327)
Decrease in accounts payable	(59,120)	(19,327)	(78,447)
Increase in contracts payable.	-	6,813	6,813
Increase in accrued wages and benefits.	244	2,608	2,852
Increase (decrease) in due to other funds.	(988)	2,278	1,290
Decrease in due to other governments.	-	(53)	(53)
Increase in compensated absences payable	96,778	3,465	100,243
Net cash provided by operating activities.	<u>\$ 1,780,212</u>	<u>\$ 493,540</u>	<u>\$ 2,273,752</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - INTERNAL SERVICE FUNDS

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

Fleet Management

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

Fire Fleet Management

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

Stores and Reproduction

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

Workers' Compensation

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

Plumbing Shop

To account for plumbing services to departments within the City.

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006

	<u>Fleet Management</u>	<u>Fire Fleet Management</u>	<u>Stores and Reproduction</u>	<u>Workers' Compensation</u>	<u>Plumbing Shop</u>	<u>Total</u>
Assets:						
Equity in pooled cash and cash equivalents.	\$ 869,070	\$ 309,197	\$ 66,865	\$ 15,809,899	\$ 130,164	\$ 17,185,195
Receivables (net of allowances of uncollectibles):						
Accounts.	-	11,218	-	-	-	11,218
Due from other funds.	131,427	25,371	11,253	-	40,989	209,040
Prepayments.	-	18,148	-	-	-	18,148
Inventory held for resale	431,330	310,438	7,336	-	-	749,104
Capital assets:						
Land	-	75,000	-	-	-	75,000
Depreciable capital assets, net	325,723	790,648	22,723	-	60,880	1,199,974
Total capital assets.	<u>325,723</u>	<u>865,648</u>	<u>22,723</u>	<u>-</u>	<u>60,880</u>	<u>1,274,974</u>
Total assets.	<u>1,757,550</u>	<u>1,540,020</u>	<u>108,177</u>	<u>15,809,899</u>	<u>232,033</u>	<u>19,447,679</u>
Liabilities:						
Accounts payable.	\$ 348,641	\$ 997	\$ 12,887	\$ 100,721	\$ 8,412	\$ 471,658
Contracts payable.	-	-	-	12,000	-	12,000
Accrued wages and benefits	85,873	15,140	8,064	24,913	10,137	144,127
Compensated absences payable	227,148	50,016	10,633	45,588	22,264	355,649
Due to other funds	291	-	-	67	357	715
Due to other governments	-	-	-	2,106,108	-	2,106,108
Claims payable	-	-	-	9,680,375	-	9,680,375
Capital lease obligation	-	-	47,718	-	-	47,718
Total liabilities.	<u>661,953</u>	<u>66,153</u>	<u>79,302</u>	<u>11,969,772</u>	<u>41,170</u>	<u>12,818,350</u>
Net assets:						
Invested in capital assets, net of related debt	325,723	865,648	(24,995)	-	60,880	1,227,256
Unrestricted	769,874	608,219	53,870	3,840,127	129,983	5,402,073
Total net assets.	<u>\$ 1,095,597</u>	<u>\$ 1,473,867</u>	<u>\$ 28,875</u>	<u>\$ 3,840,127</u>	<u>\$ 190,863</u>	<u>\$ 6,629,329</u>

CITY OF DAYTON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Fleet Management</u>	<u>Fire Fleet Management</u>	<u>Stores and Reproduction</u>	<u>Workers' Compensation</u>	<u>Plumbing Shop</u>	<u>Total</u>
Operating revenues:						
Charges for services	\$ 7,980,077	\$ 1,109,954	\$ 282,315	\$ 3,951,026	\$ 510,163	\$ 13,833,535
Other	62,144	21,274	-	30	35,900	119,348
Total operating revenues	<u>8,042,221</u>	<u>1,131,228</u>	<u>282,315</u>	<u>3,951,056</u>	<u>546,063</u>	<u>13,952,883</u>
Operating expenses:						
Personal services	2,566,665	502,285	120,415	519,938	277,257	3,986,560
Benefit payment	938,526	155,149	60,216	187,512	90,716	1,432,119
Contract services	542,905	262,149	-	465,605	11,110	1,281,769
Materials and supplies.	287,089	34,769	-	78,654	114,798	515,310
Utilities	-	22,888	-	-	-	22,888
Cost of sales	3,858,967	-	80,250	-	-	3,939,217
Depreciation.	32,797	26,521	76,644	-	10,994	146,956
Claims expense.	-	-	-	2,269,735	-	2,269,735
Other.	18,985	922	-	12,801	-	32,708
Total operating expenses	<u>8,245,934</u>	<u>1,004,683</u>	<u>337,525</u>	<u>3,534,245</u>	<u>504,875</u>	<u>13,627,262</u>
Operating income (loss)	<u>(203,713)</u>	<u>126,545</u>	<u>(55,210)</u>	<u>416,811</u>	<u>41,188</u>	<u>325,621</u>
Nonoperating expenses:						
Interest and fiscal charges	-	-	(7,187)	-	-	(7,187)
Total nonoperating expenses.	<u>-</u>	<u>-</u>	<u>(7,187)</u>	<u>-</u>	<u>-</u>	<u>(7,187)</u>
Income (loss) before transfers.	(203,713)	126,545	(62,397)	416,811	41,188	318,434
Transfers in	-	-	100,000	-	-	100,000
Change in net assets	(203,713)	126,545	37,603	416,811	41,188	418,434
Net assets, January 1	<u>1,299,310</u>	<u>1,347,322</u>	<u>(8,728)</u>	<u>3,423,316</u>	<u>149,675</u>	<u>6,210,895</u>
Net assets, December 31	<u>\$ 1,095,597</u>	<u>\$ 1,473,867</u>	<u>\$ 28,875</u>	<u>\$ 3,840,127</u>	<u>\$ 190,863</u>	<u>\$ 6,629,329</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<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>
Cash flows from operating activities:						
Cash received from interfund services provided.	\$ 7,980,077	\$ 1,138,283	\$ 282,315	\$ 3,951,026	\$ 510,163	\$ 13,861,864
Cash received from other operating revenues	645,170	85,040	-	30	10	730,250
Cash payments for personal services	(2,544,415)	(456,228)	(106,452)	(506,552)	(291,206)	(3,904,853)
Cash payments for fringe benefits	(936,466)	(151,694)	(60,351)	(186,904)	(91,704)	(1,427,119)
Cash payments for contract services.	(567,315)	(263,379)	(3,662)	(361,297)	(12,090)	(1,207,743)
Cash payments for materials and supplies.	(83,472)	(116,781)	(5,714)	(76,639)	(107,961)	(390,567)
Cash payments for cost of goods sold	(3,779,972)	-	(76,629)	-	-	(3,856,601)
Cash payments for utilities.	-	(26,965)	-	-	-	(26,965)
Cash payments for claims	-	-	-	(3,341,291)	-	(3,341,291)
Cash payments for other operating expenses	(18,694)	(922)	-	(12,736)	(767)	(33,119)
Net cash provided by (used in) operating activities.	<u>694,913</u>	<u>207,354</u>	<u>29,507</u>	<u>(534,363)</u>	<u>6,445</u>	<u>403,856</u>
Cash flows from noncapital financing activities:						
Transfers in from other funds.	-	-	100,000	-	-	100,000
Net cash provided by noncapital financing activities.	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(166,379)	-	-	-	-	(166,379)
Principal paid on capital leases	-	-	(76,813)	-	-	(76,813)
Interest paid on capital leases.	-	-	(7,187)	-	-	(7,187)
Net cash provided by (used in) capital and related financing activities	<u>(166,379)</u>	<u>-</u>	<u>(84,000)</u>	<u>-</u>	<u>-</u>	<u>(250,379)</u>
Net increase (decrease) in cash and cash equivalents.	528,534	207,354	45,507	(534,363)	6,445	253,477
Cash and cash equivalents at beginning of year	<u>340,536</u>	<u>101,843</u>	<u>21,358</u>	<u>16,344,262</u>	<u>123,719</u>	<u>16,931,718</u>
Cash and cash equivalents at end of year.	<u>\$ 869,070</u>	<u>\$ 309,197</u>	<u>\$ 66,865</u>	<u>\$ 15,809,899</u>	<u>\$ 130,164</u>	<u>\$ 17,185,195</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (203,713)	\$ 126,545	\$ (55,210)	\$ 416,811	\$ 41,188	\$ 325,621
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	32,797	26,521	76,644	-	10,994	146,956
Changes in assets and liabilities:						
Decrease in accounts receivable.	-	28,329	-	-	-	28,329
(Increase) decrease in due from other funds	583,026	63,766	8,296	-	(35,890)	619,198
Decrease in prepaid assets	-	1,606	-	-	-	1,606
(Increase) decrease in inventory held for resale.	104,637	(70,048)	3,621	-	-	38,210
Increase (decrease) in accounts payable	164,375	(18,372)	(1,073)	94,321	6,480	245,731
Increase in contracts payable	-	-	-	12,000	-	12,000
Increase (decrease) in accrued wages and benefits	1,627	(504)	260	(1,103)	360	640
Increase (decrease) in due to other funds	(10,519)	(505)	(7)	67	(1,390)	(12,354)
Decrease in due to other governments	-	-	-	(98,784)	-	(98,784)
Increase (decrease) in compensated absences payable	22,683	50,016	(3,024)	15,097	(15,297)	69,475
Decrease in claims payable.	-	-	-	(972,772)	-	(972,772)
Net cash provided by (used in) operating activities.	<u>\$ 694,913</u>	<u>\$ 207,354</u>	<u>\$ 29,507</u>	<u>\$ (534,363)</u>	<u>\$ 6,445</u>	<u>\$ 403,856</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - FIDUCIARY FUNDS

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

Agency Funds

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

- | | |
|------------------------------------|------------------------------|
| Guaranty | CompCare |
| Performance Bond | Payroll Withholding |
| Deposit of Taxes/Courthouse Square | Special Improvement District |
| Dependent Care | GMR Trading Project |
| Fire Proceeds | Miami Township-Dayton JEDD |
| 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, 2006

	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/06</u>
Guaranty				
Assets:				
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>
Liabilities:				
Due to other governments	\$ 49,649	\$ -	\$ -	\$ 49,649
Total liabilities.	<u>\$ 49,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,649</u>
Performance Bond				
Assets:				
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>
Liabilities:				
Withholdings and deposits.	\$ 14,119	\$ -	\$ -	\$ 14,119
Total liabilities.	<u>\$ 14,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119</u>
Deposit of Taxes/Courthouse Square				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 137,869	\$ 306	\$ -	\$ 138,175
Taxes levied for other governments.	790,429	-	430,398	360,031
Total assets.	<u>\$ 928,298</u>	<u>\$ 306</u>	<u>\$ 430,398</u>	<u>\$ 498,206</u>
Liabilities:				
Due to other governments	\$ 928,298	\$ -	\$ 430,092	\$ 498,206
Total liabilities.	<u>\$ 928,298</u>	<u>\$ -</u>	<u>\$ 430,092</u>	<u>\$ 498,206</u>
Dependent Care				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 16,135	\$ -	\$ 6,155	\$ 9,980
Total assets.	<u>\$ 16,135</u>	<u>\$ -</u>	<u>\$ 6,155</u>	<u>\$ 9,980</u>
Liabilities:				
Due to other governments	\$ 16,135	\$ -	\$ 6,155	\$ 9,980
Total liabilities.	<u>\$ 16,135</u>	<u>\$ -</u>	<u>\$ 6,155</u>	<u>\$ 9,980</u>
Fire Proceeds				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 543,005	\$ -	\$ 12,688	\$ 530,317
Total assets.	<u>\$ 543,005</u>	<u>\$ -</u>	<u>\$ 12,688</u>	<u>\$ 530,317</u>
Liabilities:				
Accounts payable	\$ 21,973	\$ -	\$ 17,973	\$ 4,000
Due to other governments	521,032	5,285	-	526,317
Total liabilities.	<u>\$ 543,005</u>	<u>\$ 5,285</u>	<u>\$ 17,973</u>	<u>\$ 530,317</u>

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CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/06</u>
Urban Renewal Comp Dep				
Assets:				
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>
Liabilities:				
Withholdings and deposits.	\$ 53,520	\$ -	\$ -	\$ 53,520
Total liabilities.	<u>\$ 53,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,520</u>
Building Permit Surcharge				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,722	\$ 309	\$ -	\$ 6,031
Total assets.	<u>\$ 5,722</u>	<u>\$ 309</u>	<u>\$ -</u>	<u>\$ 6,031</u>
Liabilities:				
Accounts payable	\$ -	\$ 2,850	\$ -	\$ 2,850
Due to other governments	5,722	-	2,541	3,181
Total liabilities.	<u>\$ 5,722</u>	<u>\$ 2,850</u>	<u>\$ 2,541</u>	<u>\$ 6,031</u>
CompCare				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 57,520	\$ -	\$ -	\$ 57,520
Total assets.	<u>\$ 57,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,520</u>
Liabilities:				
Due to other governments	\$ 57,520	\$ -	\$ -	\$ 57,520
Total liabilities.	<u>\$ 57,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,520</u>
Payroll Withholding				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 4,997,232	\$ 1,456,429	\$ -	\$ 6,453,661
Total assets.	<u>\$ 4,997,232</u>	<u>\$ 1,456,429</u>	<u>\$ -</u>	<u>\$ 6,453,661</u>
Liabilities:				
Accounts payable	\$ -	\$ 33,712	\$ -	\$ 33,712
Withholdings and deposits.	4,997,232	1,422,717	-	6,419,949
Total liabilities.	<u>\$ 4,997,232</u>	<u>\$ 1,456,429</u>	<u>\$ -</u>	<u>\$ 6,453,661</u>
Special Improvement District				
Assets:				
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>
Liabilities:				
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, 2006

	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/06</u>
GMR Trading Project				
Assets:				
Equity in pooled cash and cash equivalents.	\$ -	\$ 302,912	\$ -	\$ 302,912
Total assets.	<u>\$ -</u>	<u>\$ 302,912</u>	<u>\$ -</u>	<u>\$ 302,912</u>
Liabilities:				
Due to other governments	\$ -	\$ 302,912	\$ -	\$ 302,912
Total liabilities.	<u>\$ -</u>	<u>\$ 302,912</u>	<u>\$ -</u>	<u>\$ 302,912</u>
Miami Township-Dayton JEDD				
Assets:				
Equity in pooled cash and cash equivalents.	\$ -	\$ 164,002	\$ -	\$ 164,002
Total assets.	<u>\$ -</u>	<u>\$ 164,002</u>	<u>\$ -</u>	<u>\$ 164,002</u>
Liabilities:				
Due to other governments	\$ -	\$ 164,002	\$ -	\$ 164,002
Total liabilities.	<u>\$ -</u>	<u>\$ 164,002</u>	<u>\$ -</u>	<u>\$ 164,002</u>
Municipal Courts				
Assets:				
Cash and cash equivalents with fiscal agents	\$ 635,805	\$ 119,443	\$ -	\$ 755,248
Total assets.	<u>\$ 635,805</u>	<u>\$ 119,443</u>	<u>\$ -</u>	<u>\$ 755,248</u>
Liabilities:				
Due to other governments	\$ 352,020	\$ 19,712	\$ -	\$ 371,732
Due to others.	283,785	99,731	-	383,516
Total liabilities.	<u>\$ 635,805</u>	<u>\$ 119,443</u>	<u>\$ -</u>	<u>\$ 755,248</u>
Executive Severance				
Assets:				
Investments with fiscal agents	\$ 942,514	\$ 70,855	\$ -	\$ 1,013,369
Total assets.	<u>\$ 942,514</u>	<u>\$ 70,855</u>	<u>\$ -</u>	<u>\$ 1,013,369</u>
Liabilities:				
Withholdings and deposits.	\$ 942,514	\$ 70,855	\$ -	\$ 1,013,369
Total liabilities.	<u>\$ 942,514</u>	<u>\$ 70,855</u>	<u>\$ -</u>	<u>\$ 1,013,369</u>
Total Agency Funds				
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,892,957	\$ 1,923,958	\$ 18,843	\$ 7,798,072
Cash and cash equivalents with fiscal agents	635,805	119,443	-	755,248
Investments with fiscal agents	942,514	70,855	-	1,013,369
Taxes levied for other governments.	790,429	-	430,398	360,031
Total assets.	<u>\$ 8,261,705</u>	<u>\$ 2,114,256</u>	<u>\$ 449,241</u>	<u>\$ 9,926,720</u>
Liabilities:				
Accounts payable	\$ 21,973	\$ 36,562	\$ 17,973	\$ 40,562
Due to other governments	1,948,562	491,911	438,788	2,001,685
Due to others.	283,785	99,731	-	383,516
Withholdings and deposits.	6,007,385	1,493,572	-	7,500,957
Total liabilities.	<u>\$ 8,261,705</u>	<u>\$ 2,121,776</u>	<u>\$ 456,761</u>	<u>\$ 9,926,720</u>

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STATISTICAL SECTION

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

CITY OF DAYTON, OHIO

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.

<u>Contents</u>	<u>Page</u>
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.	145-151
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.	152-159
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.	160-168
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.	169-180
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.	181

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 FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 184,561,144	\$ 188,610,596	\$ 207,581,135	\$ 228,383,145	\$ 242,926,214
Restricted	60,703,404	53,916,504	63,442,672	65,403,080	71,779,813
Unrestricted	44,138,216	61,754,770	49,507,627	44,629,417	43,854,526
Total governmental activities net assets	<u>\$ 289,402,764</u>	<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	\$ 294,822,094	\$ 293,481,592	\$ 309,060,125	\$ 328,655,724	\$ 346,386,163
Restricted	9,685	-	-	-	-
Unrestricted	137,726,433	153,425,794	127,133,397	129,939,569	136,579,525
Total business-type activities net assets	<u>\$ 432,558,212</u>	<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	\$ 479,383,238	\$ 482,092,188	\$ 516,641,260	\$ 557,038,869	\$ 589,312,377
Restricted	60,713,089	53,916,504	63,442,672	65,403,080	71,779,813
Unrestricted	181,864,649	215,180,564	176,641,024	174,568,986	180,434,051
Total primary government net assets	<u>\$ 721,960,976</u>	<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

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

CITY OF DAYTON, OHIO

**CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
Downtown	\$ 5,673,050	\$ 5,418,423	\$ 5,031,993	\$ 5,064,225	\$ 4,978,385
Youth, education and human services	1,493,693	2,535,385	2,208,479	2,070,638	1,886,238
Community development and neighbors	2,634,232	21,769,149	20,163,040	20,037,194	20,050,274
Economic development	24,275,989	10,494,459	6,411,508	7,162,137	9,348,825
Leadership and quality of life	44,353,088	45,111,428	45,891,870	46,407,089	43,411,252
Corporate responsibility	17,075,875	17,020,585	15,950,738	16,907,149	20,544,073
Public safety and justice	102,284,144	89,976,989	92,954,582	94,599,294	98,533,695
Other	1,765,310	986,660	507,896	2,547,338	1,105,280
Interest and fiscal charges	4,449,764	3,430,708	3,944,038	3,072,035	3,043,887
Total governmental activities expenses	204,005,145	196,743,786	193,064,144	197,867,099	202,901,909
Business type activities:					
Dayton International Airport	35,815,035	35,502,289	39,961,191	40,802,335	39,032,293
Water	44,439,722	45,628,781	47,152,642	44,674,367	45,200,207
Sewer	28,256,027	27,210,776	28,903,051	28,319,647	32,375,482
Golf	3,527,006	3,118,857	2,472,685	2,536,878	3,121,707
Storm Water	3,440,565	2,636,386	3,983,545	4,933,239	4,491,851
Total business-type activities expenses	115,478,355	114,097,089	122,473,114	121,266,466	124,221,540
Total primary government expenses	\$ 319,483,500	\$ 310,840,875	\$ 315,537,258	\$ 319,133,565	\$ 327,123,449
Program Revenues					
Governmental activities:					
Charges for services:					
Downtown	\$ 644,660	\$ 459,014	\$ 504,472	\$ 517,512	\$ 505,552
Youth, education and human services	186,360	26,724	29,987	20,593	17,994
Community development and neighbors	85,178	2,284,484	1,762,861	1,942,351	2,204,445
Economic development	2,341,364	3,074,605	1,689,779	2,092,562	1,179,367
Leadership and quality of life	7,251,167	5,791,514	6,769,017	5,693,276	4,380,757
Corporate responsibility	2,271,381	2,213,081	2,203,013	2,310,305	2,169,808
Public safety and justice	17,749,728	15,655,803	15,049,321	16,737,568	16,911,515
Other	279,748	93,175	51,096	573,462	979,787
Interest and fiscal charges	814,194	504,180	463,975	-	-
Operating grants and contributions	17,265,398	19,791,048	18,789,989	17,571,173	16,701,482
Capital grants and contributions	7,726,360	10,307,490	9,604,411	12,149,725	11,253,574
Total governmental activities program revenue	56,615,538	60,201,118	56,917,921	59,608,527	56,304,281
Business type activities:					
Charges for services:					
Dayton International Airport	30,274,531	42,239,421	42,943,773	40,174,905	41,820,112
Water	42,368,104	42,441,461	37,709,426	43,578,504	47,088,482
Sewer	40,681,646	26,666,859	28,143,643	27,796,918	32,379,198
Golf	3,144,663	2,951,887	4,273,982	2,931,243	3,295,321
Storm Water	2,641,653	2,583,042	2,785,709	6,698,328	4,898,132
Operating grants and contributions	250,717	-	-	-	-
Capital grants and contributions	19,157,629	14,845,098	14,794,084	18,926,901	15,408,247
Total business-type activities program revenue	138,518,943	131,727,768	130,650,617	140,106,799	144,889,492
Total primary government program revenue	\$ 195,134,481	\$ 191,928,886	\$ 187,568,538	\$ 199,715,326	\$ 201,193,773

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CITY OF DAYTON, OHIO

**CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense)/Revenue					
Governmental activities	\$ (147,389,607)	\$ (136,542,668)	\$ (136,146,223)	\$ (138,258,572)	\$ (146,597,628)
Business-type activities	23,040,588	17,630,679	8,177,503	18,840,333	20,667,952
Total primary government net expense	<u>\$ (124,349,019)</u>	<u>\$ (118,911,989)</u>	<u>\$ (127,968,720)</u>	<u>\$ (119,418,239)</u>	<u>\$ (125,929,676)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 17,888,114	\$ 18,641,542	\$ 19,496,591	\$ 20,719,101	\$ 21,788,008
Income taxes	106,710,540	108,520,891	108,438,846	112,169,475	117,876,441
Grants and entitlements	27,039,019	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	3,376,292	2,952,997	1,984,048	3,644,141	2,862,437
Transfers	(801,514)	(913,666)	-	-	(61,500)
Total governmental activities general revenues	<u>154,212,451</u>	<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	25,646	-	781,586	-	-
Total general revenues and special items	<u>154,238,097</u>	<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	3,679,757	3,604,829	1,032,922	1,537,561	3,640,943
Miscellaneous	10,300	-	-	-	-
Gain on sale of capital assets	21,489	-	-	-	-
Transfers	801,514	913,666	-	-	61,500
Total business-type activities	<u>4,513,060</u>	<u>4,518,495</u>	<u>1,032,922</u>	<u>1,537,561</u>	<u>3,702,443</u>
Total primary government	<u>\$ 158,725,511</u>	<u>\$ 156,381,299</u>	<u>\$ 153,036,455</u>	<u>\$ 159,730,264</u>	<u>\$ 170,444,982</u>
Changes in Net Assets					
Governmental activities	\$ 6,848,490	\$ 15,320,136	\$ 16,638,896	\$ 19,934,131	\$ 20,144,911
Business-type activities	27,553,648	22,149,174	9,210,425	20,377,894	24,370,395
Total primary government	<u>\$ 34,402,138</u>	<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.

CITY OF DAYTON, OHIO

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund					
Reserved	\$ 3,860,708	\$ 7,533,606	\$ 9,397,735	\$ 10,974,654	\$ 4,305,769
Unreserved, reported in:					
Designated for future years' expenditures	-	-	-	9,728,322	8,708,515
Undesignated	38,769,566	43,380,483	43,111,256	38,650,529	28,525,393
Total general fund	<u>\$ 42,630,274</u>	<u>\$ 50,914,089</u>	<u>\$ 52,508,991</u>	<u>\$ 59,353,505</u>	<u>\$ 41,539,677</u>
Debt Service Fund					
Reserved	\$ 202,300	\$ 193,500	\$ 11,400,950	\$ 10,661,917	\$ 26,687,599
Unreserved	14,969,138	18,146,857	17,500,248	18,482,563	-
Total debt service fund	<u>\$ 15,171,438</u>	<u>\$ 18,340,357</u>	<u>\$ 28,901,198</u>	<u>\$ 29,144,480</u>	<u>\$ 26,687,599</u>
Capital Improvement Fund					
Reserved	\$ 18,068,680	\$ 18,481,745	\$ 22,808,013	\$ 15,373,557	\$ 15,076,014
Unreserved (deficit)	(7,174,487)	6,169,511	(640,521)	(1,416,030)	10,894,040
Total capital improvement fund	<u>\$ 10,894,193</u>	<u>\$ 24,651,256</u>	<u>\$ 22,167,492</u>	<u>\$ 13,957,527</u>	<u>\$ 25,970,054</u>
Other governmental Funds					
Reserved	\$ 19,671,305	\$ 18,450,482	\$ 18,808,165	\$ 12,147,151	\$ 14,559,355
Unreserved (deficit), reported in:					
Designated for future years' expenditures	-	-	-	-	-
Special revenue funds	(8,348,238)	(9,901,279)	(7,898,207)	(1,630,254)	(1,899,939)
Permanent fund	-	-	-	-	-
Capital projects funds	(2,155,769)	342,355	741,220	1,029,431	(87,265)
Total governmental funds	<u>\$ 9,167,298</u>	<u>\$ 8,891,558</u>	<u>\$ 11,651,178</u>	<u>\$ 11,546,328</u>	<u>\$ 12,572,151</u>
Total Fund Balances, Governmental Funds	<u>\$ 77,863,203</u>	<u>\$ 102,797,260</u>	<u>\$ 115,228,859</u>	<u>\$ 114,001,840</u>	<u>\$ 106,769,481</u>

Source: City of Dayton financial records

2002	2003	2004	2005	2006
\$ 2,798,924	\$ 4,077,216	\$ 4,451,193	\$ 4,846,464	\$ 2,985,745
-	1,226,505	2,161,198	3,573,236	6,949,009
31,594,377	34,784,392	29,795,216	36,132,638	27,407,200
<u>\$ 34,393,301</u>	<u>\$ 40,088,113</u>	<u>\$ 36,407,607</u>	<u>\$ 44,552,338</u>	<u>\$ 37,341,954</u>
\$ 24,087,261	\$ 17,839,709	\$ 15,333,393	\$ 13,298,438	\$ 15,080,926
-	-	-	-	-
<u>\$ 24,087,261</u>	<u>\$ 17,839,709</u>	<u>\$ 15,333,393</u>	<u>\$ 13,298,438</u>	<u>\$ 15,080,926</u>
\$ 18,370,993	\$ 15,435,869	\$ 23,208,822	\$ 14,836,284	\$ 22,459,015
2,067,381	(3,857,644)	916,028	2,013,719	1,797,815
<u>\$ 20,438,374</u>	<u>\$ 11,578,225</u>	<u>\$ 24,124,850</u>	<u>\$ 16,850,003</u>	<u>\$ 24,256,830</u>
\$ 18,520,083	\$ 15,712,394	\$ 12,711,217	\$ 20,867,328	\$ 19,535,089
-	486,000	400,000	-	1,253,000
(1,370,644)	1,060,593	4,402,528	184,630	1,124,470
16,380	36,805	53,439	58,896	67,805
(1,415,108)	2,497,998	739,531	(4,384,639)	(1,480,796)
<u>\$ 15,750,711</u>	<u>\$ 19,793,790</u>	<u>\$ 18,306,715</u>	<u>\$ 16,726,215</u>	<u>\$ 20,499,568</u>
<u>\$ 94,669,647</u>	<u>\$ 89,299,837</u>	<u>\$ 94,172,565</u>	<u>\$ 91,426,994</u>	<u>\$ 97,179,278</u>

CITY OF DAYTON, OHIO

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

	1997	1998	1999	2000
Revenues (1)				
Taxes	\$ 142,195,336	\$ 143,487,406	\$ 147,335,296	\$ 153,386,497
Intergovernmental	17,111,666	19,930,738	28,032,945	29,212,950
Investment income	6,797,165	7,772,741	6,177,393	9,810,194
Special assessments	445,605	506,197	383,044	272,107
Licenses and permits	1,559,574	1,698,008	1,687,321	2,083,365
Charges for services	18,658,910	21,104,306	24,259,158	22,313,071
Fines and forfeits	1,081,276	1,486,577	1,211,084	1,754,313
Miscellaneous	2,313,766	2,266,109	3,604,259	4,598,578
Total revenues	<u>190,163,298</u>	<u>198,252,082</u>	<u>212,690,500</u>	<u>223,431,075</u>
Expenditures (1 & 2)				
Current:				
Downtown	-	-	-	4,869,311
Administrative Services	41,180,581	42,719,087	47,817,478	-
Youth, Education and Human Services	-	-	-	1,301,481
Community Development and Neighborhoods	-	-	-	3,281,232
Economic Development	6,234,581	8,129,048	8,666,422	21,838,458
Neighborhood Development	22,007,949	20,916,252	21,562,100	-
Human Development	16,557,005	15,513,271	17,112,029	-
Leadership and Quality Life	-	-	-	43,581,245
Corporate Responsibility	-	-	-	20,761,269
Policy Development	3,517,339	3,906,544	4,209,530	-
Transportation	12,598,951	11,015,768	11,833,639	-
Land Use	24,741,637	27,023,884	27,568,631	-
Community Security	41,438,538	43,658,203	47,025,960	-
Public safety and justice	-	-	-	96,185,438
Other	-	-	-	-
Capital outlay	28,204,983	23,138,732	22,995,587	24,523,977
Debt Service				
Principal	2,862,539	2,403,378	5,475,795	4,926,770
Interest	2,658,718	2,142,575	4,069,904	3,746,724
Bond issuance costs	-	-	-	-
Total expenditures	<u>202,002,821</u>	<u>200,566,742</u>	<u>218,337,075</u>	<u>225,015,905</u>
Excess(deficiency) of revenues over expenditures	(11,839,523)	(2,314,660)	(5,646,575)	(1,584,830)
Other Financing Sources (Uses)				
Sale of capital assets	124,679	245,164	2,484,795	18,449
Transfers in	21,994,192	12,677,774	19,577,043	26,563,590
Transfers out	(21,511,490)	(12,637,774)	(18,078,391)	(26,564,490)
Bonds issued	135,608	25,915,961	12,190,000	305,495
Refunding bonds issued	-	13,292,925	-	-
Payment of Police and Fire Pensions	-	(13,194,936)	-	-
Premium on bond issuance	-	-	-	-
Capital lease transactions	-	-	-	-
Total other financing sources (uses)	<u>742,989</u>	<u>26,299,114</u>	<u>16,173,447</u>	<u>323,044</u>
Net change in fund balance	<u>\$ (11,096,534)</u>	<u>\$ 23,984,454</u>	<u>\$ 10,526,872</u>	<u>\$ (1,261,786)</u>
Debt service as a percentage of noncapital expenditures	3.18%	2.56%	4.89%	4.33%

(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

2001	2002	2003	2004	2005	2006
\$ 148,602,604	\$ 145,251,212	\$ 147,286,520	\$ 149,926,379	\$ 154,210,979	\$ 159,082,912
26,512,452	24,096,216	28,609,999	25,333,452	17,329,078	28,044,012
7,086,378	3,332,301	3,623,500	2,288,903	3,483,518	5,131,388
569,983	693,360	1,033,045	1,034,415	652,363	1,076,163
2,039,503	1,980,844	2,120,143	1,817,222	1,903,063	1,750,262
21,660,189	23,813,556	22,262,759	20,295,875	22,898,740	22,083,074
2,454,517	2,249,333	2,083,662	1,832,710	1,944,186	3,450,859
8,607,756	8,319,580	5,756,600	4,767,369	6,554,510	2,862,437
<u>217,533,382</u>	<u>209,736,402</u>	<u>212,776,228</u>	<u>207,296,325</u>	<u>208,976,437</u>	<u>223,481,107</u>
5,021,369	4,807,733	3,747,343	4,167,407	4,093,181	4,183,009
-	-	-	-	-	-
1,436,191	1,506,653	2,531,763	2,237,230	2,060,357	1,928,205
2,331,172	2,468,203	20,353,743	20,311,675	19,230,564	18,959,062
23,658,978	24,328,537	6,996,268	6,410,373	7,049,497	9,464,377
-	-	-	-	-	-
-	-	-	-	-	-
37,964,500	39,442,705	37,705,241	41,319,775	40,423,448	37,073,237
22,350,461	15,813,881	16,035,551	14,870,289	15,423,671	19,489,965
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
101,900,533	100,912,458	90,354,455	92,673,272	92,422,480	97,403,724
373,382	1,747,482	918,216	506,890	2,544,612	1,107,606
45,292,081	22,165,044	29,742,434	23,346,465	22,818,819	17,501,729
6,524,068	6,198,173	7,350,552	9,228,813	5,774,552	7,480,101
4,333,281	4,317,835	3,430,374	3,962,946	3,097,330	3,076,308
356,193	-	-	199,535	-	-
<u>251,542,209</u>	<u>223,708,704</u>	<u>219,165,940</u>	<u>219,234,670</u>	<u>214,938,511</u>	<u>217,667,323</u>
(34,008,827)	(13,972,302)	(6,389,712)	(11,938,345)	(5,962,074)	5,813,784
29,388	-	150,000	824,849	101,600	100,000
32,893,734	9,119,979	17,092,990	15,249,526	16,692,371	21,682,063
(33,549,534)	(7,755,533)	(16,730,663)	(15,349,526)	(16,732,871)	(21,843,563)
24,911,873	1,568,387	395,485	11,731,021	-	-
-	-	-	-	-	-
-	-	-	-	-	-
17,377	-	-	244,535	-	-
-	-	112,090	4,500,000	205,326	-
<u>24,302,838</u>	<u>2,932,833</u>	<u>1,019,902</u>	<u>17,200,405</u>	<u>266,426</u>	<u>(61,500)</u>
<u>\$ (9,705,989)</u>	<u>\$ (11,039,469)</u>	<u>\$ (5,369,810)</u>	<u>\$ 5,262,060</u>	<u>\$ (5,695,648)</u>	<u>\$ 5,752,284</u>
5.44%	5.22%	5.69%	6.84%	4.62%	5.27%

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	
1997	\$ 94,904,215	100.00%	N/A	N/A	\$ 94,904,215	100.00%	N/A	N/A	\$ 94,904,215
1998	98,871,677	100.00%	N/A	N/A	98,871,677	100.00%	N/A	N/A	98,871,677
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

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)
1997	\$ 111,888,000	\$ 111,888,000	N/A	\$ 104,913,384	\$ 104,913,384	N/A
1998	109,312,000	109,312,000	-2.30%	106,455,843	106,455,843	1.47%
1999	109,522,954	109,522,954	0.19%	109,247,348	109,247,348	2.62%
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%

Source: City of Dayton financial records

N/A - Information not available

CITY OF DAYTON, OHIO

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

Fiscal year	Total tax levy	Current tax collections	Percent of levy collected	Delinquent tax collections	Total tax collections	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of outstanding delinquent taxes to tax levy
<u>Montgomery County</u>								
1997	\$ 17,139,435	\$ 16,499,010	96.26%	\$ 820,972	\$ 17,319,982	101.05%	\$ 2,721,684	15.88%
1998	17,236,685	16,369,525	94.97%	887,443	17,256,968	100.12%	2,091,752	12.14%
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%

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>							
1997	1998	\$ 1,197,994,870	N/A	\$ 364,241,202	N/A	\$ 146,932,600	N/A
1998	1999	1,196,725,090	N/A	356,354,152	N/A	146,457,920	N/A
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

Source: County Auditor; Montgomery County, Ohio

N/A - Information not available

<u>Total</u>		Percent of total assessed
<u>Assessed value</u>	<u>Esimated actual value</u>	<u>to total estimated actual value</u>
\$ 1,709,168,672	\$ 5,048,624,860	33.85%
1,699,537,162	5,080,306,397	33.45%
1,738,069,616	5,161,385,240	33.67%
1,854,663,703	5,799,921,138	31.98%
1,901,664,976	5,897,206,567	32.25%
1,907,559,195	5,797,067,825	32.91%
2,114,267,473	6,269,282,241	33.72%
2,043,685,740	6,171,703,279	33.11%
2,055,906,827	6,125,085,429	33.57%
2,105,757,362	6,342,585,161	33.20%

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>									
1997 for 1998	\$ 0.15	\$ 0.50	\$ 3.85	\$ -	\$ 4.50	\$ 3.50	\$ 5.00	\$ 8.50	
1998 for 1999	0.15	-	1.35	-	1.50	3.50	5.00	8.50	
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	

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>
\$ 13.00	\$ 62.65	\$ 16.64	\$ 0.72
10.00	62.65	16.64	0.26
10.00	62.65	16.64	0.26
10.00	62.65	16.64	0.26
10.00	62.65	16.64	0.26
10.00	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

CITY OF DAYTON, OHIO

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

Taxpayer	Fiscal Year 2006			Fiscal Year 1997		
	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	\$ 52,893,390	1	2.51%	\$ 94,884,410	1	5.55%
Delphi Automotive Systems Corporation	20,530,150	2	0.97%			
National Cash Register Company	19,788,340	3	0.94%	41,795,110	3	2.45%
Ohio Bell Telephone Company	18,809,830	4	0.89%	45,571,790	2	2.67%
Cargill Inc.	14,847,200	5	0.71%	29,363,160	5	1.72%
Behr Dayton Thermal	14,555,560	6	0.69%			
Vectren Energy Delivery	10,840,930	7	0.51%			
Dayton Heart Hospital	9,415,430	8	0.45%			
Tate & Lyle Ingredients	7,761,000	9	0.37%			
Marriot International	7,490,000	10	0.36%			
General Motors North American Operations				35,624,920	4	2.08%
Chrysler Corporation / Acustar				14,365,100	6	0.84%
Electronic Data Systems				12,128,170	7	0.71%
Standard Register				9,502,620	8	0.56%
Reynolds and Reynolds				8,943,820	9	0.52%
Duriron Company Incorporated				7,935,950	10	0.46%
Total	\$ 176,931,830		8.40%	\$ 300,115,050		17.56%

Source: County Auditor; Montgomery, County, Ohio

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>
1997	\$ 1,777,543	\$ 450,731	25.36%	\$ 106,135	\$ 556,866	31.33%
1998	1,726,054	1,171,223	67.86%	137,995	1,309,218	75.85%
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%

(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	Special Assessment Notes	General Obligation Bonds	Revenue Bonds
1997	\$ 24,635,000	\$ -	\$ 723,992	\$ -	\$ -	\$ 6,062	\$ 2,880,000	\$ 92,575,000
1998	61,565,000	-	601,639	-	-	36,621	2,025,000	90,180,000
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

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

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>
\$ 31,869,133	\$ -	\$ 319,821	\$ 18,000,000	\$ 171,009,008	\$ 21,635,004,000	0.79%	\$ 989
28,846,138	-	531,896	14,100,000	197,886,294	22,583,342,000	0.88%	1,144
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	26,744,477,000	0.68%	1,131
17,624,367	700,000	67,630	6,715,000	160,517,618	26,744,477,000	0.60%	1,010

CITY OF DAYTON, OHIO

COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Assesed Value	\$ 1,709,168,672	\$ 1,699,537,162	\$ 1,738,069,616	\$ 1,854,663,703
Legal debt margin:				
Debt limitation - 10.5% of Assesed Value	179,462,711	178,451,402	182,497,310	194,739,689
Total Voted and Unvoted Debt Outstanding	170,629,187	197,354,398	187,623,987	170,521,118
Less: Exempt Debt				
Sewer General Obligation Bonds	(65,000)	-	-	-
Waterworks General Obligation Bonds and Notes	(415,000)	(240,000)	(160,000)	(80,000)
Airport General Obligation Bonds and Notes	(20,400,000)	(15,885,000)	(13,360,000)	(9,345,000)
Waterworks Revenue Bonds (1)	(51,555,000)	(50,805,000)	(41,690,000)	(37,065,000)
Ohio Water Development Authority Loan	(31,809,133)	(28,846,138)	(25,883,143)	(22,920,149)
Ohio Public Works Commission Loan	-	-	-	(1,000,000)
Airport Revenue Bonds (1)	(41,020,000)	(39,375,000)	(37,650,000)	(35,850,000)
Special Assessment Bonds and Notes	(730,054)	(638,260)	(420,844)	(585,969)
Other Exempt Debt	-	(39,130,000)	(48,225,000)	-
Capital Facilities and Various Purpose Income Tax Bonds	-	-	-	(33,705,000)
Economic Development Bonds	-	-	-	(11,870,000)
Golf Renovation General Obligation Bonds	-	-	-	-
Total Exempt Debt	<u>(145,994,187)</u>	<u>(174,919,398)</u>	<u>(167,388,987)</u>	<u>(152,421,118)</u>
Total Debt Applicable to Limitation - Within 10.5% Limitations	24,635,000	22,435,000	20,235,000	18,100,000
Less: Amount Available in Debt Service Fund to pay debt applicable to limitation	<u>(15,171,638)</u>	<u>(18,340,357)</u>	<u>(28,743,870)</u>	<u>(18,356,028)</u>
Net Debt Within 10.5% Limitation	<u>9,463,362</u>	<u>4,094,643</u>	<u>(8,508,870)</u>	<u>-</u>
Overall Debt Margin Within 10.5% Limitation	<u>\$ 169,999,349</u>	<u>\$ 174,356,759</u>	<u>\$ 191,006,180</u>	<u>\$ 194,739,689</u>
Unvoted Debt Limitation - 5.5% of Assesed Valuation	\$ 94,004,277	\$ 93,474,544	\$ 95,593,829	\$ 102,006,504
Debt Within 5.5% Limitations	24,635,000	22,435,000	20,235,000	18,100,000
Less Amount Available in Debt Service Fund	(15,171,638)	(18,340,357)	(28,743,870)	(18,356,028)
Net Debt Within 5.5% Limitation	<u>9,463,362</u>	<u>4,094,643</u>	<u>(8,508,870)</u>	<u>-</u>
Unvoted Debt Margin Within 5.5% Limitation	<u>\$ 84,540,915</u>	<u>\$ 89,379,901</u>	<u>\$ 104,102,699</u>	<u>\$ 102,006,504</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 2006, these amounts were \$1,189,791 and \$56,450, respectively.

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 1,901,664,976	\$ 1,907,559,195	\$ 2,114,267,473	\$ 2,043,685,740	\$ 2,055,906,827	\$ 2,105,757,362
199,674,822	200,293,715	221,998,085	214,587,003	215,870,217	221,104,523
181,263,183	179,928,869	202,589,607	193,897,094	176,184,321	157,837,860
-	-	-	-	-	-
-	-	-	-	-	-
(7,830,000)	(12,850,000)	(4,850,000)	(9,350,000)	(6,675,000)	(6,715,000)
(32,260,000)	(27,260,000)	(21,839,200)	(5,235,650)	(10,927,100)	(5,133,550)
(19,957,154)	(16,994,159)	(27,401,011)	(24,539,685)	(21,005,877)	(17,624,365)
(950,000)	(900,000)	(850,000)	(800,000)	(750,000)	(700,000)
(33,960,000)	(31,985,000)	(64,951,733)	(62,645,625)	(67,639,245)	(64,350,209)
(471,029)	(929,721)	(1,143,415)	(1,297,409)	(977,100)	(753,500)
-	-	-	-	-	-
(54,740,963)	(56,912,452)	(51,810,798)	(57,034,997)	(35,962,645)	(31,974,008)
(11,530,000)	(12,170,000)	(11,790,000)	(11,385,000)	(10,955,000)	(9,500,000)
(3,599,037)	(3,422,536)	(3,104,190)	(2,640,003)	(2,292,354)	(2,087,228)
<u>(165,298,183)</u>	<u>(163,423,868)</u>	<u>(187,740,347)</u>	<u>(174,928,369)</u>	<u>(157,184,321)</u>	<u>(138,837,860)</u>
15,965,000	16,505,001	14,849,260	18,968,725	19,000,000	19,000,000
<u>(16,604,497)</u>	<u>(14,559,051)</u>	<u>(8,872,909)</u>	<u>(6,895,689)</u>	<u>(5,435,549)</u>	<u>(7,777,979)</u>
-	1,945,950	5,976,351	12,073,036	13,564,451	11,222,021
<u>\$ 199,674,822</u>	<u>\$ 198,347,765</u>	<u>\$ 216,021,734</u>	<u>\$ 202,513,967</u>	<u>\$ 202,305,766</u>	<u>\$ 209,882,502</u>
\$ 104,591,574	\$ 104,915,756	\$ 116,284,711	\$ 112,402,716	\$ 113,074,875	\$ 115,816,655
15,965,000	16,505,001	14,849,260	18,968,725	19,000,000	19,000,000
(16,604,497)	(14,559,051)	(8,872,909)	(6,895,689)	(5,435,549)	(7,777,979)
-	1,945,950	5,976,351	12,073,036	13,564,451	11,222,021
<u>\$ 104,591,574</u>	<u>\$ 102,969,806</u>	<u>\$ 110,308,360</u>	<u>\$ 100,329,680</u>	<u>\$ 99,510,424</u>	<u>\$ 104,594,634</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>
1997	172,947	\$ 1,709,168,672	\$ 9,463,362	0.55%	\$ 55
1998	172,947	1,699,537,162	43,224,643	2.54%	\$ 250
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

(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>
1997	\$ 2,657,475	\$ 1,840,797	\$ 4,498,272	\$ 175,203,469	2.57%
1998	2,200,000	2,057,228	4,257,228	179,028,081	2.38%
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%

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2006

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, 2006.

<u>Political subdivision of State of Ohio</u>	<u>Net General Bonded Debt</u>	<u>Percentage applicable to Dayton</u>	<u>Amount applicable to Dayton</u>
<i>Per Montgomery County Auditor:</i>			
Direct			
City of Dayton	\$ 41,949,793	100.00%	\$ 41,949,793
Overlapping			
Montgomery County	46,399,375	98.64%	45,768,344
School District	232,945,000	20.80%	48,452,560
Total	<u>\$ 321,294,168</u>		<u>\$ 136,170,697</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	
1997	\$ 11,138,819	\$ 710,000	\$ 3,478,112	\$ 4,188,112	2.66
1998	13,764,616	750,000	3,436,222	4,186,222	3.29
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

(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.

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	
1997	\$ 9,775,151	\$ 1,580,000	\$ 2,215,570	\$ 3,795,570	2.58
1998	10,690,242	1,645,000	2,146,660	3,791,660	2.82
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

(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 2006, no PFC were used for payment of debt service charges.

(2) Debt service requirements are exclusive of refunding transactions.

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>
1997	56 (+/-)	2,018,900	896,559
1998	56 (+/-)	2,192,898	906,255
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

<u>Year</u>	<u>Active Gas Meters</u>	<u>Vehicle Registrations</u>
1997	N/A	N/A
1998	N/A	N/A
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

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

Source: Division of Planning City of Dayton

CITY OF DAYTON, OHIO

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2006			Fiscal Year 1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Miami Valley Hospital	5,600	1	7.89%	4,200	4	5.43%
Good Samaritan Hospital and Health	3,300	2	4.65%	2,700	8	3.49%
Dayton Public Schools	2,899	3	4.08%	3,750	5	4.85%
NCR Corporation	2,700	4	3.80%	4,410	3	5.71%
National City Bank	2,600	5	3.66%			
City of Dayton	2,400	6	3.38%	3,220	6	4.17%
University of Dayton	2,148	7	3.03%	2,600	9	3.36%
Veterans Administration	2,000	8	2.82%			
Delphi Automotive Systems Services	2,000	9	2.82%			
United Postal Service	1,876	10	2.64%			
General Motors Corporation				5,505	1	7.12%
Reynolds and Reynolds Co.				4,750	2	6.14%
Franciscan Medical Center				2,580	7	3.34%
Emery, a CF Company				1,830	10	2.37%
Total	27,523		38.76%	35,545		45.98%

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
1997	281,600	0.00%	77,300	7.10%	5,712,600	6.90%	5.40%
1998	281,800	4.10%	77,400	7.20%	5,736,700	6.60%	4.30%
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%

Source: Ohio Workforce Informer

CITY OF DAYTON, OHIO

**ESTIMATED PER CAPITA INCOME
LAST TEN FISCAL YEARS**

Year	Dayton (MSA)		Montgomery County		Ohio		United States
	Per capita income	% of national average	Per capita income	% of national average	Per capita income (1)	% of national average	Per capita income (1)
1997	\$ 25,352	100.07%	\$ 25,517	100.72%	\$ 24,656	97.32%	\$ 25,334
1998	26,464	98.44%	26,551	98.77%	26,017	96.78%	26,883
1999	27,164	97.23%	27,487	98.38%	26,859	96.13%	27,939
2000	28,549	95.66%	28,949	97.00%	28,207	94.51%	29,845
2001	29,160	95.38%	29,827	97.56%	28,601	93.55%	30,574
2002	29,747	96.55%	30,404	98.68%	29,212	94.81%	30,810
2003	30,385	96.51%	30,784	97.78%	29,954	95.14%	31,484
2004	31,387	94.97%	31,773	96.14%	31,161	94.28%	33,050
2005	31,792	92.16%	32,133	93.15%	31,867	92.38%	34,495
2006	N/A	N/A	N/A	N/A	33,338	91.90%	36,276

Source: Bureau of Economic Analysis

(1) Values for 2006 are preliminary figures

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	1997	1998	1999	2000	2001	2002	2003	2004
Total	429.1	432.2	431.7	435.3	428.8	420.6	415.5	411.8
Goods-Producing Industries	97.0	98.0	96.4	96.2	87.1	82.5	78.3	75.4
Natural Resources, Mining and Construction	15.7	16.2	16.4	16.2	15.1	15.3	15.2	15.6
Manufacturing	81.4	81.9	80.0	80.0	72.0	67.2	63.1	59.9
Service-Providing Industries	332.1	334.4	335.3	339.1	341.6	338.1	337.2	336.4
Trade, Transportation, and Utilities	76.1	77.2	79.9	81.5	79.0	75.0	72.6	71.6
Information	9.8	10.2	10.3	10.3	11.5	11.6	11.4	11.1
Financial Activities	17.1	17.7	17.8	17.3	18.0	18.3	18.8	19.0
Professional and Business Services	50.7	51.9	51.6	52.4	54.8	52.7	53.9	53.2
Educational and Health Services	56.9	57.5	57.2	58.3	59.3	60.9	61.7	62.5
Leisure and Hospitality	36.7	36.2	35.9	36.1	35.5	35.7	36.5	37.1
Other Services	16.4	16.2	16.0	16.3	16.3	16.7	16.8	16.7
Government	68.3	67.5	66.5	66.8	67.2	67.3	65.4	65.1

(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

<u>2005</u>	<u>2006</u>	<u>Percentage of Total 2006 employment</u>
409.4	408.2	100.00%
73.8	71.7	17.56%
15.4	15.2	3.72%
58.4	56.5	13.84%
335.7	336.5	82.44%
71.1	70.0	17.15%
11.1	10.6	2.60%
19.0	20.1	4.92%
52.3	52.3	12.81%
63.7	64.7	15.83%
37.3	37.8	9.26%
16.7	16.4	4.02%
64.5	64.8	15.85%

CITY OF DAYTON, OHIO

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

Function/Program	2001	2002	2003	2004	2005	2006
Governmental activities:						
Downtown	33	29	28	34	34	29
Youth, education and human services	6	4	4	4	3	3
Community development and neighbors	201	194	184	174	174	168
Economic development	50	50	33	40	40	39
Leadership and quality of life	377	336	317	317	299	281
Corporate responsibility	205	185	172	160	169	164
Public safety and justice	1,318	1,210	1,134	1,098	1,056	1,072
Business-type activities:						
Dayton International Airport	155	185	193	187	178	175
Water	261	266	273	268	253	242
Sewer	128	129	129	124	122	120
Golf	39	37	24	17	17	19
Storm Sewer	157	163	147	138	124	124
Total Full-Time Equivalent (FTE)	2,930	2,788	2,638	2,561	2,469	2,436

Source: City of Dayton ITS and Management & Budget

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>
1997	10,197	N/A	19,857	30,054	26,167
1998	10,188	N/A	19,999	30,187	26,286
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

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, 2006**

<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>
1997	1,634	82,811,189
1998	1,390	101,936,784
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

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

CITY OF DAYTON, OHIO

**AVERAGE COST OF HOUSING CONSTRUCTION
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Single-family average structure cost</u>	<u>% Change from previous year</u>	<u>% Change from 1997</u>
1997	5,461,843	N/A	N/A
1998	6,040,048	10.59%	10.59%
1999	6,499,504	7.61%	19.00%
2000	5,893,400	-9.33%	7.90%
2001	20,722,589	251.62%	279.41%
2002	22,801,633	10.03%	317.47%
2003	29,435,199	29.09%	438.92%
2004	21,928,258	-25.50%	301.48%
2005	25,306,493	15.41%	363.33%
2006	19,292,702	-23.76%	253.23%

Source: Census Bureau

CITY OF DAYTON, OHIO

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Service										
Highways and Streets										
Streets (miles)	853	855	855	855	855	855	855	855	855	967
Streetlights	19,692	19,712	19,800	19,900	20,030	19,188	19,356	21,292	23,421	18,650
Traffic Signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	325
Computerized Signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	178
Public Safety										
Police										
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	621	611	629	621	625	611	464	439	414	506
Fire										
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	14	14	13	13	13	12	12
Number of Employees	427	422	404	437	423	413	379	376	366	385
City Fleet (public safety)										
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	101
Police	N/A	N/A	N/A	N/A	N/A	N/A	405	402	393	288
Recreation and parks										
Parks Acreage	2200	2200	2200	2200	2000	1400	1400	1400	1400	1389
Total Facilities	85	85	85	85	84	11	10	9	9	15
Parks	72	72	72	72	72	72	72	72	72	72
Playgrounds	49	49	49	49	49	49	49	49	49	49
Swimming Pools	28	28	28	28	28	16	16	19	14	19
Tennis Courts	78	78	78	78	68	22	22	22	22	22
Community Centers	11	11	11	11	11	11	11	11	10	9
Senior Centers	N/A	N/A	N/A	N/A	N/A	2	2	2	2	2
Athletic Complexes	N/A	N/A	N/A	N/A	N/A	2	2	2	2	2
Specialized Facilities	N/A	N/A	N/A	N/A	N/A	4	4	4	4	4
Shelter Houses	53	53	53	53	53	53	53	53	53	53
Golf Courses	6	6	6	6	6	3	3	3	3	3
Reservoirs										
Water										
Water Mains (miles)	764.00	765.00	768.00	771.00	772.90	800.00	800.00	791.00	799.00	800.28
Maximum Daily Capacity (millions of gallons)	59.20	56.43	61.12	75.90	48.00	72.35	72.35	51.85	51.30	50.30
Sewer										
Sanitary Sewers (miles)	600.00	600.00	600.00	603.00	600.00	650.00	650.00	600.00	600.00	601.28
Storm Sewers (miles)	400.00	400.00	400.00	403.00	400.00	600.00	600.00	400.00	401.00	402.28
Maximum Daily Capacity (millions of gallons)	N/A	N/A	N/A	N/A	N/A	44.98	37.43	36.64	36.03	37.56

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
MAY 15, 2008