



Dave Yost • Auditor of State

**CITY OF DAYTON
MONTGOMERY COUNTY
DECEMBER 31, 2017**

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**CITY OF DAYTON
MONTGOMERY COUNTY**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

| Grantor Agency/Programs | CFDA Number | Project Number | Passes Through to Subrecipients | Federal Expenditures |
|---------------------------------------------------------------|----------------|---------------------------------|---------------------------------------|-------------------------|
| <u>U.S. Dept. of Housing and Urban Development</u> | | | | |
| Direct | | | | |
| CDBG - Entitlement Grants Cluster | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-11-MC-39-0010 | | 42,072 |
| | | B-13-MC-39-0010 | | 148,123 |
| | | B-14-MC-39-0010 | 55,000 | 55,000 |
| | | B-12-MC-39-0010/B-13-MC-39-0010 | 326,776 | 1,494,095 |
| | | B-13-MC-39-0010/B-14-MC-39-0010 | | 2,107,393 |
| Subtotal | | | 381,776 | 3,846,683 |
| Emergency Solutions Grant Program | 14.231 | E16MC390010/E17MC390010 | 571,981 | 571,981 |
| Shelter Plus Care | 14.238 | OH-0313-L-5E-051401 | 74,624 | 74,624 |
| HOME Investment Partnerships Program | 14.239 | M-07-MC-39-0205 | | 738,821 |
| | | M-08-DC-39-0205 | 150,000 | 150,000 |
| | | M-10-MC-39-0205 | 627,256 | 627,256 |
| Subtotal | | | \$ 777,256 | 1,516,077 |
| Continuum of Care Program | 14.267 | OHO284L5E0501406 | 574,648 | 574,648 |
| | | OHIO313L5051502 | 84,924 | 84,924 |
| | | OH0284L5E051608 | 1,738,399 | 1,738,399 |
| | | OH0137L5E051609 | 227,387 | 227,387 |
| | | OH0396L5E051606 | 39,026 | 39,026 |
| | | OH0396L5E051505 | 43,758 | 43,758 |
| | | OH0137L5E05508 | 263,401 | 263,401 |
| Subtotal | | | 2,971,543 | 2,971,543 |
| Fair Housing Assistance Program State and Local | 14.401 | FF-205-K-04-5019 | | 136,651 |
| | | FF-205-K-11-5019 | | 29,223 |
| | | FF-205-K-13-5019 | | 1,956 |
| Subtotal | | | 0 | 167,830 |
| Total U.S. Department of Housing and Urban Development | | | \$ 4,777,180 | \$ 9,148,738 |
| <u>U.S. Department of Justice</u> | | | | |
| Direct | | | | |
| Federal Law Enforcement RICO | 16.000 | DAG-71 | | 176,109 |
| Crime Victim Assistance | 16.575 | 2010VAGENE500 | | 24,980 |
| Bulletproof Vest Partnership Program | 16.607 | 2005D6B505027754 | | 74,888 |
| Project Safe Neighborhoods | 16.609 | 2014-PS-PSN-42B | | 65,492 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2016UMWX0199 | | 193,393 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | STEP-2016-57-00-00-00464-00 | 29,454 | 29,454 |
| | | IDEP-2016-57-00-00-00332-00 | 28,757 | 28,757 |
| | | 2016-DJ-BX-0943 | | 124,168 |
| | | 2016-JG-B01-00051 | | 22,684 |
| | | 2015-DJ-BX-1045 | 31,387 | 31,387 |
| | | 2014-H3910-OH-DJ | 9,591 | 18,409 |
| | | 2013-JG-B01-V6601 | | 41,040 |
| Subtotal | | | \$ 99,189 | 295,899 |
| Total U.S. Department of Justice | | | \$ 99,189 | \$ 830,761 |
| <u>U.S. Department of Transportation</u> | | | | |
| Direct | | | | |
| Airport Improvement Program | 20.106 | 3-39-0030-1513 | | 4,111 |
| | | 3-39-0029-083-2017 | | 411,046 |
| | | 3-39-0030-018-2017 | | 208,402 |
| | | 3-39-0029-084-2017 | | 312,546 |
| | | 3-39-0029-7009/3-39-0029-8215 | | 10,163 |
| | | 3-39-0029-082-2015 | | 302,104 |
| | | 3-39-0030-017-2015 | | 29,782 |
| Subtotal | | | 0 | 1,278,154 |

(Continued)

**CITY OF DAYTON
MONTGOMERY COUNTY**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2017

| Grantor Agency/Programs | CFDA Number | Project Number | Passes Through to Subrecipients | Federal Expenditures |
|-------------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------|---------------------------------------|-------------------------|
| <i>Passed through Ohio Department of Transportation Highway Planning and Construction Cluster</i> | | | | |
| Highway Planning and Construction | 20.205 | PID# 93233 | | 192,714 |
| | | PID# 93237 | | 3,913,899 |
| | | PID# 93238 | | 1,168,062 |
| | | PID# 97907 | | 273,804 |
| | | PID# 97908 | | 262,786 |
| | | PID# 101558 | | 232,104 |
| | | PID# 103169 | | 163,986 |
| | | PID# 90787 | | 9,689 |
| | | PID# 90788 | | 7,357 |
| | | PID# 90789 | | 90,072 |
| | | PID# 90793 | | 681,088 |
| | | PID# 90794 | | 1,922,014 |
| | | PID# 90795 | | 7,439 |
| | | PID# 93236 | | 111,573 |
| | | PID# 95304 | | 341,874 |
| Subtotal | | | 0 | 9,378,461 |
| <i>Federal Transit Cluster</i> | | | | |
| Federal Transit Formula Grants | 20.507 | 2002-11-1 RTA Community Project City Wide Bus Pad Installation | | 32,888 |
| Subtotal | | | 0 | 143,107 |
| | | | | 175,995 |
| <i>Passed through Ohio Department of Public Safety Highway Safety Cluster:</i> | | | | |
| State and Community Highway Safety | 20.600 | IDEP/STEP-2018-Dayton Police Dept- 00046 | 3,617 | 3,617 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | OVITF-2017-57-00-00-00443-00 | 131,639 | 131,639 |
| National Priority Safety Programs | 20.616 | OVI-2018Dayton Police Dept-00006 | 16,827 | 16,827 |
| Cluster Subtotal | | | 152,083 | 152,083 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | IDEP/STEP-2018-Dayton Police Dept - | 10,060 | 10,060 |
| Total U.S. Department of Transportation | | | \$ 162,143 | \$ 10,994,753 |
| <u>U.S. Environmental Protection Agency</u> | | | | |
| Direct | | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | EPA-OSWER-OBLR-15-04 | | 5,632 |
| Total U.S. Environmental Protection Agency | | | \$ - | \$ 5,632 |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Direct | | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2015-FO-03623 | | 39,921 |
| Metropolitan Medical Response System | 97.071 | 233-01-0047 | | 33,353 |
| Total U.S. Department of Homeland Security | | | \$ - | \$ 73,274 |
| Total Expenditures of Federal Awards | | | \$ 5,038,512 | \$ 21,053,158 |

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF DAYTON
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Dayton (the City) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The City passes certain federal awards received from United States Department of Housing and Urban Development, United States Department of Justice and United States Department of Transportation to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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**CITY OF DAYTON
MONTGOMERY COUNTY
SCHEDULE OF RECEIPTS AND EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| <u>Description</u> | <u>Application Number</u> | <u>Receipts</u> | <u>Expenditures</u> |
|-----------------------------------------|---------------------------|--------------------|---------------------|
| Passenger Facility charges | 4, 5, 6, 7, 8 | \$3,926,974 | \$2,061,756 |
| Interest Earned | | 105,918 | |
| Total Passenger Facility Charges | | \$4,032,892 | \$2,061,756 |

See accompanying notes to schedule of receipts and expenditures of Passenger Facility Charges

**CITY OF DAYTON
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF
PASSENGER FACILITY CHARGES
14 CFR 158
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Passenger Facility Charges (the Schedule) includes the passenger facility charges activity of the City of Dayton (the City) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 14 U.S. Code of Federal Regulations Part 158, *Passenger Facility Charges*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures reported on the Schedule are reported on the cash basis of accounting. Such revenues and expenditures are recognized following the cost principles contained in Title 14 U.S. Code of Federal Regulations Part 158, *Passenger Facility Charges*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Dayton
Montgomery County
101 West Third Street
Dayton, Ohio 45402

To the Honorable Mayor and City Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Montgomery County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2017-001 and 2017-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-002 and 2017-003 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-004.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 26, 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Dayton
Montgomery County
101 West Third Street
Dayton, Ohio 45402

To the Honorable Mayor and City Commissioners:

Report on Compliance for each Major Federal Program

We have audited the City of Dayton's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the City of Dayton's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on each of the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants, Emergency Solutions Grant Program, HOME Investment Partnerships Program and Continuum of Care Program

As described in Findings 2017-005 through 2017-007 in the accompanying schedule of findings , the City did not comply with requirements regarding the following:

| Finding # | CFDA # | Program (or Cluster) Name | Compliance Requirement |
|-----------|--------|-------------------------------------------------------|-------------------------------------------------------------------------------------|
| 2017-005 | 14.218 | Community Development Block Grants/Entitlement Grants | Subrecipient Monitoring |
| 2017-005 | 14.231 | Emergency Solutions Grant Program | Subrecipient Monitoring |
| 2017-005 | 14.239 | HOME Investment Partnerships Program | Subrecipient Monitoring |
| 2017-005 | 14.267 | Continuum of Care Program | Subrecipient Monitoring |
| 2017-006 | 14.239 | HOME Investment Partnerships Program | Procurement & Suspension & Debarment |
| 2017-007 | 14.239 | HOME Investment Partnerships Program | Special Tests & Provisions – Maximum Per-Unit Subsidy and Underwriting Requirements |

Compliance with these requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

Qualified Opinion on Community Development Block Grants/Entitlement Grants, Emergency Solutions Grant Program, HOME Investment Partnerships Program and Continuum of Care Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants, Emergency Solutions Grant Program, HOME Investment Partnerships Program and Continuum of Care Program* paragraph, the City of Dayton complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Community Development Block Grants/Entitlement Grants, Emergency Solutions Grant Program, HOME Investment Partnerships Program and Continuum of Care Program* for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2017-008. Our opinion on *each* major federal program is not modified with respect to this matter.

The City's responses to our noncompliance finding are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2017-005 through 2017-008.

The City's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have also audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dayton (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated June 26, 2018. We conducted our audit to opine on the City's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State
Columbus, Ohio

June 26, 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

City of Dayton
Montgomery County
101 West Third Street
Dayton, Ohio 45402

To the Honorable Mayor and City Commissioners:

Compliance

We have audited the compliance of City of Dayton (the City) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2017. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge 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 of Dayton complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2017. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is described in the accompanying schedule of passenger facility charge program findings as item 2017-001.

The City's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with the passenger facility charge program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the passenger facility charge program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the passenger facility charge's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of passenger facility charge program findings as item 2017-001.

The City's response to the internal control over compliance finding we identified is described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

Report on Schedule of Receipts and Expenditures of Passenger Facility Charges Required by the Guide

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Dayton (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our unmodified report thereon dated June 26, 2018. We conducted our audit to opine on the City's' basic financial statements as a whole. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of receipts and expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Guide and is not a required part of the 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 audit committee, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State
Columbus, Ohio

June 26, 2018

**CITY OF DAYTON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | Yes |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Qualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR §200.516(a)? | Yes |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Community Development Block Grants/Entitlement Grants (CFDA #14.218) Emergency Solutions Grant Program (CFDA # 14.231) HOME Investment Partnerships Program (CFDA #14.239) Continuum of Care Program (CFDA # 14.267) |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR §200.520? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2017-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City's 2017 Debt Service Fund financial statements overstated interest and fiscal charges and other revenue by \$626,288. The error was determined to be material and accompanying financial statements have been adjusted to correctly present the City's financial activity.

Other errors not requiring adjustments were also noted during our audit. These misstatements have been reported to those charged with governance in the summary of identified misstatements form.

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

The number of manual journal entries used to record certain transactions, and the complexity of the process increases the risk that the City will be unable to detect errors in the accounting system during normal course of its operations. The accounting system also did not generate a fund balance report that could be used to directly reconcile the City's budgetary fund balances to the amounts reported on its budgetary statement and schedules.

Policies and procedures should be established and implemented to verify the accuracy of the City's financial statements. Someone independent of the financial statement preparation process should review them for completeness and accuracy. The City's accounting system should complement the financial statement preparation process by providing readily usable data. The current process of converting modified cash amounts into cash before converting them into GAAP numbers really complicates things and increases the risk of errors going undetected in the financial statements. The City should look at modifications to the current system that would allow it to generate cash basis reports for conversion process or the City should look at following cash or GAAP throughout the year.

Official's Response: See page 33 for Corrective Action Plan.

Finding Number 2017-002

SIGNIFICANT DEFICIENCY

Proper computer security requires a process for removing application software and network accounts upon employee separation. In addition, controls should be in place for a periodic review of application access rights by department supervisory personnel that authorized and requested user accounts.

Departments were responsible for notifying the IT Help desk upon employee separation. Upon notification, network accounts were disabled for a period, and then ultimately disabled, while application software accounts were removed from the software. No periodic review of application software and network accounts was performed by the City.

There were several network accounts the City was unable to verify or indicated that the accounts needed to be removed during audit inquiry, including:

- (i) One out of 374 Banner general ledger application software accounts (less than 1%) belonged to a former employee and needed deactivated.
- (ii) Nine out of 204 Tax application software accounts (5%) could not be verified, including eight accounts that were locked during audit fieldwork upon discovery by auditors and one account that belonged to a former employee that was also locked upon discovery.
- (iii) 202 out of 339 Water revenue software application accounts (60%) were not verified until audit fieldwork. The City reviewed these accounts and indicated that 43 of the accounts belonged to former staff or contractors 27 accounts belonged to current employees or contractors, and the City provided no explanation on the remaining 132 accounts. 85 of 1,847 network accounts (5%) belonged to third party contractors; four network accounts were deleted during audit fieldwork upon discovery, and 2 accounts belonged to former staff.

In addition, there were 107 Banner application software accounts which had not been logged into for an extended period.

This likely occurred in part as the City did not have a documented policy for periodically confirming application software and network accounts with the various City departments. In addition, when the IT help desk was notified of a termination, the documented form was not reconciled to the CAAAR form when the account was initially added to the application or network. As such, help desk staff only removed those applications documented on the termination form.

For the Tax software, the schema user list does not capture the department or the full user name. This condition further hampers the City's ability to review and verify user accounts.

The City should revisit its termination policy and revise as needed to help verify that all application access rights are removed upon employee termination, The City should also consider devising a policy in which management periodically reviews user accounts and their privileges to help verify access rights are consistent with assigned job responsibilities. Such policy should also include periodic review of accounts for inactivity and disabling accounts that are no longer required as necessary. Accounts identified that are associated with former employees should be disabled or removed upon discovery. Failure to do so increases the likelihood of unauthorized access and changes to the system. Inactive accounts can also be used by hackers for malicious purposes.

Official's Response: See page 33 for Corrective Action Plan.

Finding Number 2017-003

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City maintained a capitalization threshold of \$5,000. All asset purchases exceeding this threshold and with a useful life of more than one year were capitalized by the City and reported as capital assets on the entity wide statements and on the proprietary fund statements. The following errors noted in capital assets during 2017 were determined to be immaterial to the financial statements and have not been adjusted in the audited financial statements:

- 1) During 2016, the City entered into an agreement with a private development company for the sale of a property. Part of the agreement required the City to reimburse the development company up to \$750,000 for repairs to the building's roof. During 2017, the developer submitted the required documentation and the City reimbursed the Developer \$750,000 in accordance with the agreement. The City incorrectly capitalized this expenditure in governmental activities statements.
- 2) The City purchased three 2018 Jeep Cherokee Latitudes for \$23,378 each. The purchase was capitalized as one item instead of by three individual assets. Grouping assets makes it impossible for the City to track individual assets.
- 3) During the year, the City awarded a contract for repair to a bus pad. The contract was subsequently discovered to be in error and was voided before any work commenced. Within the City's accounting system, the contract award amount of \$190,000 was unencumbered when the contract was cancelled and the City improperly capitalized the \$190,000 as a capital asset in the governmental activities.
- 4) The City purchased four refuse packers during the year for a total cost of \$1,069,186. In addition to the purchase of the packers, the City purchased five-year warranties for each vehicle. The total amount of the warranties was \$16,263, which the City improperly capitalized in governmental activities. Insurance should have been reported as prepaid expenses and expensed over the life of warranty.
- 5) Retainage on two projects that were placed into service during the year was not capitalized. Total retainage not capitalized was \$814,265. This resulted in retainage payable and capital assets being understated in the Business Type Activities by \$814,265, in the Airport fund by \$375,580, and in the Water fund by \$438,685
- 6) Accumulated Depreciation at January 1, 2017 was misstated in the following Opinion Units:

**Finding Number 2017-003
 (Continued)**

| Opinion Unit | Over(under)statement |
|---------------------------------------|----------------------|
| Business Type Activities | \$(4,312,012) |
| Airport | (231,976) |
| Water | 791,562 |
| Sewer | (780,129) |
| Remaining Funds - Nonmajor Enterprise | \$(4,091,469) |

7) 2017 Depreciation Expense was misstated in the following Opinion Units:

| Opinion Unit | Over(under)statement |
|---------------------------------------|----------------------|
| Governmental Activities | \$(1,069,346) |
| Business Type Activities | (921,072) |
| Airport | (874,865) |
| Water | (406,418) |
| Remaining Funds - Nonmajor Enterprise | \$368,607 |

8) During the year, the City hired Navigant Consulting to perform a full inventory of all assets held by the City. The appraisal found unrecorded assets that were required to be added to the City's capital assets listing and other assets on the City's listing that were no longer in service or City's possession. The appraisal and full inventory of City's assets resulted in the governmental activities capital assets being reduced by \$13,646,247 and business type activities assets being reduced by \$1,254,918. The City should perform periodic inventory of all its assets to make sure it is properly tracking and reporting them on its financial statements.

9) The City had a significant number of fully depreciated assets on its books.

10) The City's capital assets policy establishes a capitalization threshold of \$15,000. However, the City has been capitalizing assets that exceed the \$5,000 threshold. Furthermore, the useful lives used by the City were not in accordance with the capital assets policy.

11) During 2016, the City took possession of the Greater Dayton Recreation Facility. The asset was not recorded during 2016 and was added to the City's records as part of the restatement. In addition to the fair market value of the asset, the City added accumulated depreciation in the amount of \$793,720. Donated assets should be recorded at fair market value and depreciated from the date the asset is put in operation.

The City should establish and implement policies and procedures over recording, depreciating and removing capital assets. Asset useful lives should be close to actual usage to prevent significant number of assets being fully depreciated before the assets are removed from service. Assets should only be capitalized for allowable costs and consistent depreciation practices should be followed. Periodic inventory should be performed over all City assets to verify that assets are still operational. Failure to do so could result in material misstatements on the financial statements and possible modified opinion in future audits.

Official's Response: See page 34 for Corrective Action Plan.

Finding Number 2017-004

NONCOMPLIANCE AND MATERIAL WEAKNESS

See (federal) finding # 2017-008 below; *Government Auditing Standards* also requires us to report this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | | | |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------|
| Finding Number | 2017-005 | | |
| CFDA Title and Number | Community Development Block Grants/Entitlement Grants (CFDA #14.218) Emergency Solutions Grant Program (CFDA # 14.231) HOME Investment Partnerships Program (CFDA #14.239) Continuum of Care Program (CFDA # 14.267) | | |
| Federal Award Identification Number / Year | <i>Community Development Block Grants/Entitlement Grants</i> B-14-MC-39-0010 B-12-MC-39-0010/ B-13-MC-39-0010 <i>Emergency Solutions Grant Program</i> E16MC390010/ E17MC390010 <i>HOME Investment Partnerships Program</i> M-08-DC-39-0205 and M-10-MC-39-0205 <i>Continuum of Care Program</i> OHO284L5E0501406 OHIO313L5051502 OH0284L5E051608 OH0396L5E051606 OH0396L5E051505 OH0137L5E05508 | | |
| Federal Agency | United States Department of Housing and Urban Development | | |
| Compliance Requirement | Subrecipient Monitoring | | |
| Pass-Through Entity | N/A – Direct | | |
| Repeat Finding from Prior Audit? | Yes | Finding Number? (if repeat) | 2016-004 |

**Finding Number 2017-005
(Continued)**

NONCOMPLIANCE AND MATERIAL WEAKNESS – Subrecipient Monitoring

2 C.F.R. § 2400.101 gives regulatory effect to the Department of Housing and Urban Development for **2 C.F.R. § 200.331(a)(1)** which requires all pass-through entities to ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the Federal Award Identification.

2 C.F.R. § 200.331(b) further requires a pass-through entity to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in the following paragraphs:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
 - 1. Reviewing financial and performance reports required by the pass-through entity.
 - 2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
 - 3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - 1. Providing subrecipients with training and technical assistance on program-related matters;
 - 2. Performing on-site reviews of the subrecipient's program operations; and
 - 3. Arranging for agreed-upon-procedures engagements as described in § 200.425 Audit services.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.
- (g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in § 200.338 Remedies for noncompliance of this part and in program regulations.

Additionally Article VI, Section D of the City's grant agreements with its subrecipients required the subrecipients to complete a HUD Annual Progress Report and submit it to the City. The grant agreements also required the City's subrecipients to submit a monthly progress report with each invoice which would include the landlord list by client, citing their addresses and the type of unit they will occupy, the client's diagnosis, the expenses attributed to each and then totaling those expenses (by client and for the entire list).

The following deficiencies were noted in the City's monitoring of its subrecipients for Community Development Block Grants/Entitlement Grants, Emergency Solutions Grant Program, HOME Investment Partnerships Program and Continuum of Care Program:

**Finding Number 2017-005
 (Continued)**

1. The City reported the wrong CFDA number 14.238 (Shelter Plus Care) on its subrecipient agreement with Miami Valley Housing Opportunities for the 2015 Tenant-Based Rental Assistance (TRA) grant. The grant award was from Continuum of Care Program and the correct CFDA Number was 14.267.
2. The City did not enforce the requirement regarding timely submission of Annual Progress Report to the City for Community Development Block Grants/Entitlement Grants (14.218) and HOME Investment Partnerships Program (14.239).
3. Although the City requested the most recent audit report from its subrecipient during 2017, there was no indication that any monitoring/review process took place to verify that the subrecipients correctly reported federal passed through dollars from the City on its federal schedule and the grants were appropriately audited in accordance with the Uniform Guidance (UG) requirements.
4. The City monthly progress reports did not include the landlord listing by client, citing their address and the type of unit they will occupy, the client's diagnosis, the expenses attributed to each and then totaling those expenses (by client and for the entire list) for Continuum of Care Program.

Policies and procedures should be established and implemented to verify that the City is properly monitoring its subrecipients for compliance with federal grant requirements. Failure to do so could result in the City being responsible for repayment of any unallowable expenditure by its subrecipients to the grantor agencies.

Official's Response: See page 35 for Corrective Action Plan.

| | | | |
|---------------------------------------------------|-----------------------------------------------------------|------------------------------------|-----|
| Finding Number | 2017-006 | | |
| CFDA Title and Number | HOME Investment Partnerships Program (CFDA # 14.239) | | |
| Federal Award Identification Number / Year | M-07-MC-39-0205 | | |
| Federal Agency | United States Department of Housing and Urban Development | | |
| Compliance Requirement | Procurement & Suspension & Debarment | | |
| Pass-Through Entity | N/A – Direct | | |
| Repeat Finding from Prior Audit? | No | Finding Number? (if repeat) | N/A |

NONCOMPLIANCE AND MATERIAL WEAKNESS - Procurement & Suspension & Debarment

2 C.F.R. § 2400.101 gives regulatory effect to the Department of Housing and Urban Development for **2 C.F.R. § 200.319(a)** which states in part, that all procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements.

**Finding Number 2017-006
 (Continued)**

One of the situations considered to be restrictive of competition includes organizational conflicts of interest.

Additionally, **2 C.F.R. § 200.319(d)** states that the non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.

Section 7.03 of the City's Purchasing Policy and Procedure Manual Section requires formal bidding procedures to be used when the cost of a purchase is expected to be greater than \$50,000. The buyer handling a formal bidding procurement will try to locate as many sources for the products or services to be purchased as is reasonable to provide competition.

During 2017, the City had a contract from HOME Funds totaling \$500,000 with Roosevelt Homes II LLC, a developer for the construction of 30 single family housing units. The procurement of services from Roosevelt Homes was determined by MV Affordable Housing LLC, which is the Incorporator for Roosevelt Homes II LLC. The City's agreement with Roosevelt Homes II LLC specified the federal regulations that applied in regard to procurement for each specific project and the City's Human Relations Council reviewed the Developer's procurement procedures to verify alignment with the City's Professional Enhancement Program (PEP) goals and HUD Section 3 goals. However, because the City did not perform its own procurement procedures over the HOME Program, it cannot be easily determined that the procurement method used for this contract was allowable, as there was no support available to indicate free and open competition.

The City should verify that its established procedures and policies are followed in regard to procurement from federal funds. The City should follow the federal procurement guidelines if there is a conflict between the City policy and federal guidelines. Procedures should be established to verify that conflict of interest statements are obtained and reviewed for individuals and organizations that are in charge of selecting vendors. Failure to do so could result in personal interest overriding board established policies and potential questioned cost in future audits.

Official's Response: See page 36 for Corrective Action Plan.

| | | | |
|---------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------|-----|
| Finding Number | 2017-007 | | |
| CFDA Title and Number | HOME Investment Partnerships Program (CFDA # 14.239) | | |
| Federal Award Identification Number / Year | M-08-DC-39-0205 M-10-MC-39-0205 | | |
| Federal Agency | United States Department of Housing and Urban Development | | |
| Compliance Requirement | Special Tests & Provisions – Maximum Per-Unit Subsidy and Underwriting Requirements | | |
| Pass-Through Entity | N/A – Direct | | |
| Repeat Finding from Prior Audit? | No | Finding Number? (if repeat) | N/A |

**Finding Number 2017-007
(Continued)**

NONCOMPLIANCE AND MATERIAL WEAKNESS - Special Tests & Provisions – Maximum Per-Unit Subsidy and Underwriting Requirements

24 C.F.R. § 92.250(b) states that before committing funds to a project, the participating jurisdiction must evaluate the project in accordance with guidelines that it has adopted for determining a reasonable level of profit or return on owner's or developer's investment in a project and must not invest any more HOME funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable for a reasonable period (at minimum, the period of affordability in § 92.252 or § 92.254) and that will not provide a profit or return on the owner's or developer's investment that exceeds the participating jurisdiction's established standards for the size, type, and complexity of the project. The participating jurisdiction's guidelines must require the participating jurisdiction to undertake:

- (1) An examination of the sources and uses of funds for the project and a determination that the costs are reasonable; and
- (2) An assessment, at minimum, of the current market demand in the neighborhood in which the project will be located, the experience of the developer, the financial capacity of the developer, and firm written financial commitments for the project.
- (3) For projects involving rehabilitation of owner-occupied housing pursuant to § 92.254(b):
 - (i) An underwriting analysis is required only if the HOME-funded rehabilitation loan is an amortizing loan; and
 - (ii) A market analysis or evaluation of developer capacity is not required.
- (4) For projects involving HOME-funded down-payment assistance pursuant to § 92.254(a) and which do not include HOME-funded development activity, a market analysis or evaluation of developer capacity is not required.

There was no indication that the City performed underwriting requirements over County Corp Redevelopment before committing HOME funds.

The City should establish and implement procedures to verify compliance with underwriting requirements for HOME projects. Documentation showing compliance should be maintained on file in accordance with the City's records retention policy. Failure to do so could result in the City paying unreasonable amounts from the HOME program to owners or developers.

Official's Response: See page 36 for Corrective Action Plan.

| | | | |
|---------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------|----------|
| Finding Number | 2017-008 | | |
| CFDA Title and Number | Emergency Solution Grant Program (CFDA #14.231) Shelter Plus Care (CFDA #14.238) | | |
| Federal Award Identification Number / Year | E16MC390010 E17MC390010 | | |
| Federal Agency | United States Department of Housing and Urban Development | | |
| Compliance Requirement | Reporting | | |
| Pass-Through Entity | N/A - Direct | | |
| Repeat Finding from Prior Audit? | Yes | Finding Number? (if repeat) | 2016-006 |

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R. § 2400.101 gives regulatory effect to the Department of Housing and Urban Development for **2 C.F.R. § 200.510(b)** which states that the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
4. Include the total amount provided to subrecipients from each Federal program.
5. For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

**Finding Number 2017-008
(Continued)**

The following error was noted in the City's schedule of federal expenditures which was determined to be material and required audit adjustment:

1. The City reported \$571,981 in Emergency Solutions Grants (CFDA #14.231) as Shelter Plus Care (CFDA #14.238).

Additionally, the project numbers reported by the City on the schedule did not agree to the underlying supporting documentation.

Other errors were noted in the schedule of federal expenditures which were determined to be immaterial and have been brought to the attention of City's management. We did not request audit adjustments for these immaterial errors.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with 2 C.F.R. § 200.510(b), due care should be taken in the preparation of the Schedule of Expenditures of Federal Awards. The schedule should be reviewed after preparation and tied to the underlying cash reports of the City for accuracy. Failure to do so could result in material misstatements on the Schedule.

Official's Response: See page 37 for Corrective Action Plan.

**CITY OF DAYTON
MONTGOMERY COUNTY**

**SCHEDULE OF PASSENGER FACILITY CHARGE PROGRAM FINDINGS
14 C.F.R. § 158.67
DECEMBER 31, 2017**

| |
|-----------------------------------------------------|
| FINDING RELATED TO PASSENGER FACILITY CHARGE |
|-----------------------------------------------------|

FINDING NUMBER 2017-001

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

14 C.F.R. Section 158.63 (a) requires the public agency to provide quarterly reports to air carriers collecting Passenger Facility Charges (PFCs) for the public agency with a copy to the appropriate Federal Aviation Administration (FAA) Airports Office. The quarterly report must include:

- (1) Actual PFC revenue received from collecting air carriers, interest earned, and project expenditures for the quarter;
- (2) Cumulative actual PFC revenue received, interest earned, project expenditures, and the amount committed for use on currently approved projects, including the quarter;
- (3) The PFC level for each project; and
- (4) Each project's current schedule.

Furthermore, **14 C.F.R. Section 158.67(c)** requires the City to at least annually during the period the PFC is collected, held or used, to provide for an audit of its PFC account. The audit shall be performed by an accredited independent public accountant and may be of limited scope. The accountant shall express an opinion of the fairness and reasonableness of the public agency's procedures for receiving, holding, and using PFC revenue. The accountant shall also express an opinion on whether the quarterly report required under § 158.63 fairly represents the net transactions within the PFC account.

As part of the annual PFC audit, the City prepared the Schedule of Receipts and Expenditures of Passenger Facility Charges (the Schedule). The Schedule reported total PFC receipts and expenditures for 2017. Totals from four quarterly reports should equal to the Schedule; however, the following variances were noted between the amounts reported on the Schedule and the Quarterly reports:

- (1) Interest earned was overstated by \$45,000
- (2) Expenditures were overstated by \$125,734

Adjustments were made to correctly present the Schedule.

Policies and procedures should be established and implemented to verify the completeness and accuracy of quarterly reports and the Schedule. The Schedule of Receipts and Expenditures of Passenger Facility Charges presented for annual audit should be reconciled to the Quarterly reports to verify that they agree. Failure to do so could result in material misstatements on the Schedule or Quarterly Reports going unnoticed. Errors in the report also hamper the ability of FAA and air carriers to verify that the PFCs collected by them are being utilized for authorized purposes in accordance with the federal requirements.

Official's Response: See page 37 for Corrective Action Plan.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2017

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2016-001 | Capital Asset deficiencies | Not corrected. | In 2016, the City entered into a contract with a third-party consultant, Navigant, to develop and implement additional policies and procedures over the recording, depreciating and disposal of capital assets. During 2017, the City had a reappraisal and physical inventory of the City assets. In addition to the physical inventory, the City is currently exploring options for a comprehensive asset management system to further strengthen and enhance capital asset management. In response to some of the errors noted by the auditors in the finding, the City would like to emphasize that these errors did not result in any material adjustments to the financial statements. In addition, the City was able to provide additional documentation dates to the auditors that were not reflected in the amounts presented in the audit finding. Capital Assets were re-stated as of 12-31-2016. |
| 2016-002 | See Finding 2016-006 below | | See response below #2016-006. |
| 2016-003 | 24 C.F.R. §§ 85.40(b)(1) and 85.41(b)(4) The City did not submit its performance reports to HUD | Corrected | |
| 2016-004 | 2 C.F.R. § 200.331(a)(1) and 2 C.F.R. § 200.331(b) The City did not monitor its sub-recipients. | Not corrected. | The City of Dayton has experienced high staff turnover in Shelter Plus Care grant administration since 2014. The finding references grants that operated prior to the appointment of a permanent staff person in March 2016. The Division of Community Development will pursue all available training opportunities and will implement policies and procedures for the Continuum of Care grants to ensure compliance moving forward. Each of the noted deficiencies are addressed individually: 1. The Division of Community Development will verify that the CFDA number listed on each Sub recipient Agreement matches the CFDA number on the Grant Agreement from HUD. 2. The |

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|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <p>Division of Community Development disputes this noted deficiency. The 2016 Sub recipient Agreements with St. Vincent de Paul and Home full are indeed funded through the Continuum of Care Grant (14.267), not Shelter +Care (14.238). 3. Beginning in January 2017, the Division of Community Development no longer processes invoices or vouchers with incorrect contract or grant numbers. An official policy will be developed as part of the Continuum of Care policies and procedures. 4. The Division of Community Development obtained a copy of Miami Valley Housing Opportunities' 2016 single audit report. The 2017 single audit report will be available at the end of September 2017. 5. The Division of Community Development checks the federal debarment list at sam.gov at the start of the contracting process, when requesting a new activity code or fund code from the Finance Department. We will begin checking the federal debarment list prior to encumbering funds through a Certificate of Funds. An official policy will be developed as part of the Continuum of Care policies and procedures. Policies and procedures in place by 12/31/17. 6. Beginning in January 2017, the Division of Community Development will require the Sub recipient to provide full expenditure data and backup documentation prior to processing invoices or vouchers. Additionally, prior to processing invoices, staff will complete a desk monitoring, documented by completing a compliance checklist and attaching it to the invoice. An official policy will be developed as part of the Continuum of Care policies and procedures. 7. The landlord listing by client, including unit type, is now required prior to processing of invoices or vouchers. An official policy will be developed as part of the Continuum of Care policies and procedures. 8. The Division of Community Development will implement a policy that Sub recipients must submit APR data within 60 days of the end of the grant operating period. An official policy will be developed as part of the Continuum of Care policies and procedures, and verbiage will be included in all Sub recipient Agreements. 9. The Division of Community Development has sent a monitoring notice to Miami Valley Housing Opportunities, and an on-site monitoring of 2015 and 2016 grants will take place in October 2017. An official monitoring policy, including provisions for Sub recipient risk analysis, will be developed as part of the Continuum of Care policies and procedures by 10/31/17.</p> |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2016-005 | Federal Acquisition Regulation (FAR) Subpart 9.405(d)(1) - The City did not check for the suspension or debarment of vendors during procurement | Corrected | |
| 2016-006 | 2 C.F.R. § 200.510(b) Errors noted in Schedule of federal awards | Not corrected | The Financial Analysis section of the Accounting and Treasury Division experienced vacancies due to promotions and resignations. The City has filled the vacancy of the Senior Financial Analyst, hired one additional Financial Analyst I and replaced a Financial Analyst I. With this additional staff the City will have additional personnel to prepare, review, and tie amounts to the underlying cash reports of the City for accuracy and to take additional care in the preparation of the Schedule of Expenditures of Federal Awards. |
| 2016-001 Schedule of Passenger Facility Charge Program Findings | 14 C.F.R. Section 158.63 (a) The City understated expenditures on the Schedule of Passenger Facility Charges, and did not make the required quarterly reports to the air carriers. | Partially corrected | The 2016 reports were amended for the missed financing cost of \$655,187 in June of 2016. Starting in 2017, all quarterly reports will be placed on the Dayton International Airport Website and will be accessible to all of the Airlines. The Airlines will be informed of the placement of the reports via email. The reports will be changed to include all of the information required by the end of the year. Written procedures will be created to document the process and to ensure all cost are properly recorded and reported. The PFC quarterly Reports are being posted to the Website – all three quarters for 2017. And the airlines were notified. A written policy is in place that details the timing requirements of the posting and why it needs to be done. The interest is being recorded as required. |

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CORRECTIVE ACTION PLAN¹
2 CFR § 200.511(c)
DECEMBER 31, 2017

| Findings Related to the Financial Statements Required to Be Reported in Accordance with GAGAS | | | |
|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------|
| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
| GAGAS 2017-001 | <p>The 2017 Debt Service Fund overstated interest, fiscal charges, and other revenue by \$626,288. The City's Accounting System did not facilitate an effective or efficient financial reporting process.</p> <p>Official's Response: Adjustments were made to financial statements per AOS. The amount of the error had no effect on Fund Balance, Cash, or the City's Net Position. The City posted the adjusting entry to the debt service fund that was identified by the auditors. Again, this adjustment did not change the cash balance of the fund, fund balance, or ending net position. The amount of the adjustment, \$626,288, is only .28% of total governmental revenues of \$224,159,534.00. As noted in the auditor's comments, the City's accounting software does not have the ability to generate cash basis reports that can be used for the GAAP conversion process. The adjustment of balance sheet transactions resulted in the small error identified by the auditors.</p> <p>The City is working towards making Banner function closer to a cash basis reporting method. In 2018, the City eliminated the thirty day accrual period in the financial software. However, certain transactions, such as accounts receivable, are not cost effective or efficient to change from accrual based to cash basis. The City will continue to work with our software vendor to ensure that accurate financial statements are generated, understanding that certain transactions will remain on the accrual basis. The City does not believe that converting Banner to an accrual system throughout the year is a feasible option due to the time, effort and complexity of this process.</p> | <p>Completed June 2018</p> <p>2019</p> | <p>Meghan Needham</p> <p>Bejoy John Valerie Henderson</p> |
| GAGAS 2017-002 | <p>The Auditors indicated that no periodic review of application software and network accounts was performed by the City. There were several network accounts the City was unable to verify or indicated that the accounts needed to be removed during audit inquiry.</p> <p>Officials Response: The Division of Information Technology is in the process of revising the procedure for terminating network and application accounts. After it has been tested, IT expects to publish the procedure by the 8/31/2018.</p> <p>The Division of IT already has a quarterly procedure for reviewing inactive network accounts. If an account has been inactive for 90+ days the account is disabled. A list of the accounts are identified and email communication sent to all Directors, Deputy Directors, Division Managers and Payroll Clerks asking them for feedback on the account status. If the account needs to be permanently deleted they are asked to complete the Terminate Access form and return to IT for processing. Similarly a list of inactive Banner accounts is also provided with a request from the Departmental Leadership for the action</p> | <p>8/31/2018</p> <p>10/1/2018</p> | <p>Desa Foster Bejoy John James Wedding</p> |

| | | | |
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| | <p>to take. These procedures were implemented for Network and Banner accounts after the 2016 Audit.</p> <p>Further, the Department of Finance will work with the Division of IT to update the access form and termination form to ensure proper approval to add or delete a user is better managed for Banner and Water Revenue Systems.</p> | | |
| GAGAS 2017-003 | <p>The auditors made several comments regarding the City's fixed asset accounting methods and entries. The items listed were determined to be immaterial to the other financial statements and have not been adjusted in the audited financial statements</p> <p>The auditors stated that the City should establish and implement policies and procedures over recording, depreciating, and removing capital assets.</p> <p>Officials Response: The City manages capital assets with a net book value of over \$1 billion dollars. In addition to the internal controls that were already in place, in 2017 the City hired Navigant Consulting to perform a full inventory of assets held by the City and convert the asset records from an excel data base into Sage software designed specifically for capital asset reporting. The City is in the process of revising the capital asset policy and procedures. In addition, the City created a new position of fixed asset specialist to manage the capital asset records.</p> <p>The City strongly disagrees with several of the audit findings related to capital assets, including the miscalculation of 2017 depreciation expense. The auditors attempted to recalculate depreciation using excel rather than Sage software and some variances were a result of different methodology. In addition, the auditors' findings included a \$4,091,469 adjustment to depreciation in the Storm Water fund. This adjustment is not correct as the depreciation value of the Storm Water lines were adjusted in 2002 when the City first capitalized Storm Water lines. Prior to 2002, Storm Water lines had not been capitalized. The City's own fixed asset specialist identified the issue of grouping assets for the purchase of the Jeep Cherokee's and had already corrected this in the accounting software.</p> <p>The other issues identified within the comment have been corrected and were not material to the 2017 financial statements, which therefore did not require a restatement of the audited financial statements.</p> | September 2018 | Valerie Henderson/ Tiffany Boone |
| 2017-004 | See Federal Award Finding # 2017-008 | | |

| Federal Awards Schedule of Findings | | | |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------|
| 2017-005 | <p><i>1. The City reported the wrong CFDA number 14.238 (Shelter Plus Care) on its subrecipient agreement with Miami Valley Housing Opportunities for the 2015 Grant award. The grant award was from the Continuum of Care Program, and the CFDA # is 14.267.</i></p> <p>Officials Response: The Shelter Plus Care Program was changed to the Continuum of Care via the Hearth Act, which was effective in June, 2016. Regarding the incorrect CFDA number – this comment for the same agreement was noted in the 2016 audit. The agreement expired in April 2017. The CFDA number was corrected on the next agreement with MVHO for the 2016 grant award as agreed to in the 2016 audit response.</p> <p>PCD ensures that all sub awards are clearly identified to the subrecipient as a sub- award and includes Federal Award Identification. All subrecipient agreements include the CFDA number and references to the specific grant and regulations in the Code of Federal Regulations.</p> <p><i>2. The City did not enforce the requirement regarding timely submission of Annual Progress Reports from sub-recipients to the PCD for CDBG, HOME, or ESG programs</i></p> <p>Officials Response: PCD works cooperatively with sub-recipients to collect the necessary information required to submit the City’s annual report to HUD called the CAPER. The City was able to receive information from its CDBG sub-recipients in time for review and validation to include in the 2017 CAPER, which was submitted to HUD on March 31, 2018.</p> <p>PCD also reviews financial and performance reports prior to payment of each sub recipient invoice and completes a desk monitoring checklist to verify compliance with provisions in the subrecipient agreement and compliance with federal regulations throughout the life of the contract.</p> <p><i>3. Although the City requested the most recent audit report from its sub-recipient during 2017, there was no indication that any monitoring/review process took place to verify that the subrecipients took timely and appropriate action on deficiencies detected during audits.</i></p> <p>Prior to entering into sub recipient agreements, PCD requires that the sub recipient submit its most recent external audit. PCD did review the submitted audits. There were no deficiencies noted in the audits for PCD to follow up on with the subrecipient. PCD will document the review and the outcome, regardless of whether or not deficiencies are noted. Further, in 2018 PCD began a process that requests the City’s internal auditor to review submitted external audit reports and make a recommendation on the appropriate course of action for PCD to take regarding current and future agreements with the subrecipient.</p> <p><i>4. The City monthly progress reports did not include the landlord listing by client, citing their address and the type of unit they will occupy, the client’s diagnosis, the expenses attributed to each and then totaling those expenses (by client’s diagnosis and for the entire list) for Continuum of Care Program.</i></p> | Completed | Todd Kinskey |

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| | <p>Official's Response: The CoC monthly progress reports for 2015 grants (which began between May 2016 and January 2017 and ended between April 2017 and January 2018) did not include the information specified. PCD required that MVHO keep these records and PCD reviewed them at on-site monitoring. PCD implemented policies and procedures in early 2018 (provided to the auditors) and rewrote CoC subrecipient agreements to ensure that this information is provided monthly.</p> | | |
| 2017-006 | <p>HOME Investment Partnership Program- Procurement & Suspension and Debarment. Roosevelt Homes II LLC \$500,000.00 Contract.</p> <p>The AOS contends that the City did not perform its own procurement procedures over the HOME Program, it cannot be easily determined that the procurement method used for this contract was allowable, as there was no support available to indicate free and open competition.</p> <p>Official's Response: Free and open competition is only applicable when the City is seeking the services or goods from an entity. That was not the case with this project. The entity applied through the Ohio Tax Credit Program to renovate the homes, were awarded State Tax Credits and subsequently applied through the City's HOME program to secure additional funding. A year in advance of the OHFA QAP, the City of Dayton sponsors a pre-application process in which developers compete for the City's priority status. Typically, the City can award priority status to two developers that result in additional points during the OHFA application review process. The City's HOME program had a funding set-aside for Tax Credit projects and awarded the funding based on the quality of the application. The granting of HOME funds to this project was awarded through the 2014 Action Plan line item "LIHTC Assistance" which provides gap financing for LIHTC projects.</p> <p>The City also did include all federal procurement standards and contract compliance provisions in the agreement with Roosevelt Homes, LLC.</p> <p>The City submitted documentation to the Auditor of the applications to the State and the City as well. The project was not appropriate for an open competitive process because the entity was an applicant for funding through a State competitive process. The City's Purchasing agent also concluded that the nature of this project would have made it a "sole source" vendor and therefore, not been subject to the City's procurement procedures. In the future, the PCD will obtain a written statement from the City's Purchasing Agent regarding how or if the City's procurement policy applies to HUD programs.</p> | Completed | Todd Kinskey Erin Jeffries |
| 2017-007 | <p>HOME Investment Partnerships Program- Special Tests & Provisions- Maximum Per-Unit Subsidy and Underwriting Requirements. The auditors commented that there was no indication that the City performed underwriting requirements over County Corp Redevelopment before committing HOME funds.</p> <p>Official's Response: County Corp was selected to take over the redevelopment of a project from a developer who could not perform under another non-HOME funded program. County Corp is a public nonprofit who is also a city-qualified CHDO, which</p> | September 2018 | Todd Kinskey Erin Jeffries |

| | | | |
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| | ensures that the agency has the capacity to carry out HOME funded projects. PCD will further define additional procedures to review and verify underwriting requirements for HOME program. The City also notes that the CHDO is being monitored and that the maximum per unit subsidy requirements have been met per HUD guidelines. | | |
| 2017-008 | <p>The following error was noted in the City's schedule of federal expenditures which was determined to be material and required audit adjustment:</p> <ol style="list-style-type: none"> 1. The City reported \$571,981 in Emergency Solutions Grants (CFDA #12.231) as Shelter Plus Care (CFDA #14.238). <p>Official's Response: The Department of Finance will have personnel to prepare, review, and tie amounts to the underlying cash reports of the City for accuracy and to take additional care in the preparation of the Schedule of Expenditures of Federal Awards.</p> | Completed | Bejoy John Valerie Henderson |
| 2017-001 PFC | <p>As part of the annual (Passenger Facility Charge) PFC Audit, the City prepared the Schedule of Receipts and expenditures of Passenger Facility Charges (the Schedule). The Schedule reported total PFC receipts and expenditures for 2017. Totals from four quarterly reports should equal to the Schedule: however, the following variances were noted between the amounts on the Schedule and the Quarterly reports:</p> <ol style="list-style-type: none"> 1. Interest earned was overstated by \$45,000 2. Expenditures were overstated by \$125,734 <p>Official's Response: The Department of Aviation is currently undergoing an internal audit being performed by Leibowitz and Horton, Airport Management Consultants Inc. to correct the deficiencies of the reporting of expenditures and revenues of the PFCs to be completed by July 31, 2018. When this audit is complete, the Department will have a uniformed methodology of reporting PFC income and expenditures and all reporting, both quarterly and annually, will be accurate. The Department, with the assistance of Leibowitz and Horton, will document the PFC procedures and develop policies that will ensure the accuracy of the reporting. These policies will be complete September 30, 2018.</p> | September 2018 | Terry Slaybaugh Joe Homan |

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CITY OF DAYTON, OHIO • USA



Photo by: Dan Landis



Comprehensive Annual Financial Report

Fiscal year ended December 31, 2017

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2017 Administration



Nan Whaley
Mayor



Joey D. Williams
Commissioner



Matt Joseph
Commissioner



Jeffrey Mims
Commissioner



Chris Shaw
Commissioner



Shelley Dickstein
City Manager



City of Dayton, Ohio

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City of Dayton, Ohio

Comprehensive Annual Financial Report

January 1, 2017 – December 31, 2017

Prepared By

DEPARTMENT OF FINANCE

MISSION STATEMENT

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



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Introduction

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CITY OF DAYTON, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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June 26, 2018

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Dayton, Ohio for the fiscal year ending December 31, 2017.

State law requires that every local government publish a complete set of financial statements within five months of the close of each fiscal year. In addition, the City's Charter (Sections 44 and 78) prescribes required accounting, audit, and examination procedures for the City of Dayton. The 2017 CAFR was prepared using Generally Accepted Accounting Principles (GAAP) as applied to governmental units and contains all disclosures necessary to enable the reader to understand the City's financial affairs. City management is responsible for providing accurate and complete data for a fair and comprehensive presentation of its net financial position.

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

The Auditor of State of Ohio studies the City's system of internal controls, conducts such tests that are necessary under the circumstances, and renders an opinion based upon the statements when taken in whole. Once again, the City has received an unmodified opinion from the independent auditor indicating that the financial statements are presented fairly. The opinion letter is included in the Financial Section of this report.

The City has included all of the funds for which it is financially accountable in the CAFR. The City is associated with ten jointly governed organizations which include: 1) the Miami Valley Regional Planning Commission, 2) Miami Valley Fire/EMS Alliance, 3) Economic Development/Government Equity Program, 4) Montgomery County Family & Children First Council, 5) Hazardous Material Response Team, 6) Montgomery County Regional Radio Council, 7) Montgomery County Office of Emergency Management, 8) Butler Township-Dayton JEDD (Joint Economic Development District), 9) Miami Township-Dayton JEDD, and 10) Preschool Promise.

This transmittal letter provides basic background information about the City, including a brief history, the state of our local economy, and fiscal health and major financial policies. It also is a complement to the required Management's Discussion and Analysis (MD&A). The City's MD&A, which focuses on the government-wide statements, can be found immediately following the independent auditor's report.

PROFILE OF THE CITY OF DAYTON

Dayton was founded on April 1, 1796, by a small group of 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 and Dayton. This opened up the "Mad River Country" at Dayton and the upper Miami Valley to settlement.

The City of Dayton was the first large city to adopt the Council Manager form of government in 1913. The Dayton City Commission is comprised of five members – a Mayor and four Commissioners. Each member is 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.

Situated in southwestern Ohio, Dayton is the county seat and the largest city in Montgomery County. Dayton is a part of several other communities called the Greater Dayton Area, which include the cities of Vandalia, Trotwood, Kettering, Centerville, Beavercreek, Fairborn, West Carrollton, Huber Heights, Troy, and Miamisburg. As of the 2010 census, the population of Dayton was 141,527 (140,450 is the 2017 estimate population). The 2010 census for the Montgomery County population was 535,153 (520,154 is the 2017 estimate).

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 services, convention center, building inspection, community planning and economic development, recreation and parks, golf, street and bridge maintenance, waste collection, and a municipal court system.

The annual budget serves as the foundation for the City of Dayton's financial planning and control. The City Commission is required to adopt the original budget after the second Monday in January and the final budget by December 31. The budget is prepared by fund and department for major operating funds, and by fund category for capital and non-operating funds.

LOCAL ECONOMY

At the heart of Dayton's economy is an unwavering spirit of innovation and the will to transform for success. The City has worked strategically to reposition its economy to compete globally in the future with a diversified knowledge-based economy. The City continues to see growth across several sectors of Dayton's regional economy in the past year with the largest increases found in the sectors of Leisure/Hospitality, and Education/Health Services. Since the depths of the financial crisis in December 2009, the Dayton regional economy has added jobs at a steady pace, growing by 34,800 jobs or 9.7%.

New construction and business expansions continue the optimism and reinforce broader-based business and consumer confidence. Underscoring the strength of the labor market is a flurry of economic development activity in the City. Developers of the Water Street District recently completed the Delco Lofts, an adaptive reuse project that transformed a former 6-story factory building into 129 market rate units overlooking the Dragons Baseball Stadium. A 115-room Fairfield Inn and Suites is scheduled to open in the district in late 2018. Children's Medical Center's \$140 million campus expansion has been completed, and CareSource, Ohio's largest Medicaid managed care provider, is in the process of expanding its footprint downtown with construction of a new 7-story office building, scheduled for completion in 2019. In addition to activity in Northeast downtown, construction is underway on the Levitt Pavilion at Dave Hall Plaza; the first concerts are scheduled to take place there in the late summer of 2018.

Further, the Dayton International Airport has weathered the departure of Southwest Airlines by continuing to develop its surrounding real estate. In addition to the 77,000 square foot maintenance hangar built by PSA airlines in 2016, Spectrum Brands finished construction on its 570,000 square foot \$11 million distribution center, adding about 325 jobs.

Tech Town, Dayton's urban technology campus, and home to over 40 companies with more than 450 employees is 97% leased. In 2017, six new tenants OptoTraffic, IKOVE, Dayton Children's Hospital Health Information Management, Willis Acquisition, Production 3D and Radial R & D made Tech Town their home. Also during 2017, the University of Dayton Research Labs experienced growth and expanded their operation on campus.

COMMUNITY AND ECONOMIC DEVELOPMENT

Downtown Development

The City recognizes that a thriving center city that likewise attracts people, businesses and investment is key to the City's success in sustaining future viability, and is an essential strategy expressed in the Greater Downtown Dayton Plan. In addition to the City's multi-million dollar investments, private and other public development is also on the rise from various entities that encompass retail, commercial, housing, health care, education, and recreational industries. Below is a list of some of the 2017 project highlights in downtown:

- 444 East Second Street - Renovation of at 25,000 SF 2-story building to house small innovation companies
- Angstrom Material's Global Graphene Group celebrated the opening of a building it acquired and refurbished at 1235 McCook Ave. Graphene is finding uses in new batteries, both for vehicles and phones, as well as tires, inks, lubricants, thermal films, and much more.
- CODE Credit Union completed an 8,400 SF Expansion adjacent CODE HQ on Monument Street.
- Downtown's new \$64 million main Dayton Metro Library opened in August 2017, re-energizing part of East Third Street.
- Sinclair Life Science Building \$31.5M Construction of a Health Sciences Center that consolidates health care programs into one facility located at West Fourth and Perry Streets. The new Sifferlen Health Sciences Center has been designed to ensure state-of-the-art education opportunities for students pursuing careers in healthcare—and for the benefit of the community.

Complementing the tremendous redevelopment efforts in downtown is an impressive growth in housing development both in the core of downtown and the Greater Downtown area. Occupancy rates in downtown housing have increased to more than 95% for both owner- and renter-occupied properties. A few examples of new housing completed in downtown include Monument Walk Housing, which features 16 large three bedroom, two car heated garage, four-story, elevator-ready luxury townhomes; and the Flats at South Park, a four-story building constructed along Warren Street that now offers 43 market-rate apartments on the upper floors and space for restaurants and service firms on the ground floor.

Neighborhood and Infrastructure Development

The City firmly believes that strong, diverse, and thriving neighborhoods are also keys to Dayton's livability and viability. Therefore, we continue to invest in neighborhood redevelopment projects and maintaining and improving our infrastructure. This reinvestment helps to stabilize neighborhoods, major transportation systems, and amenities while also encouraging investment from property owners and the business community. City administrators and our partners are aggressive and very successful in leveraging limited city resources with other state, local and federal resources to reinvest in all of its neighborhoods.

On November 8, 2016, Dayton voters passed Issue 9, an 8-year, 0.25% earned income tax. Issue 9, now known as "Your Dollars, Your Neighborhood," supports expanded service levels and new investments to enhance the quality of life and physical appearance of the City of Dayton and its neighborhoods. The 2017 Fiscal Year saw great progress toward fulfilling the City's commitment of infrastructure improvement in every neighborhood. An interactive dashboard was established to allow citizens to view when and where these dollars were spent. For more information, please go to <https://civicplus.daytonohio.gov/YourDollarsYourNeighborhood/>. Examples of some of the neighborhood improvements made in 2017 include:

- Completion of Mallory Park and Walnut Park Improvements
- \$4.8M was committed to residential road paving, and \$565,000 in vacant lot mowing.
- Completion of several bike paths including, Cleveland Park, Keowee Street, E. Fifth St and Hamilton Ave, and Valley Street Bikeway (Phase 1)

FINANCIAL HEALTH AND STABILITY

For the Fiscal Year 2017, Moody's Investors Services (Moody's) confirmed Dayton's general obligation bond credit rating at Aa2 and our non-tax revenue debt rating at Aa3. Standard & Poor's (S&P) confirmed Dayton's general obligation bond credit rating at AA and our non-tax revenue debt rating at AA-. S&P confirmed Dayton's Aviation revenue bond credit rating at AA. In addition, Fitch retained Dayton's BBB+ rating on Aviation. Moody's maintained its initial ratings of Aa2 assigned to both the Water System Revenue Bonds and Sewer System Revenue Bonds issued by Dayton in 2015. S&P assigned its AA- rating to both of those Revenue Bond issuances. The 2017 announcements from all three rating agencies attest to the continued confidence in Dayton's financial management practices and long-term stability.

RELEVANT FINANCIAL POLICIES AND BUDGET PLANS

The City maintains financial stability by continuing its well documented reputation of sound financial management and leadership. The City's long-standing policy is to maintain minimum cash reserve levels equal to six to ten weeks of operating expenses. 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 reducing operating costs; and weathering a recession or economic shock during a maximum 24-month period.

In 2017, the City updated its 20 year old Debt Management Policy, which will provide relevant guidance in how we issue long-term debt for capital initiatives within the current bond market framework. Further, 2017 was the first full year that the City used its recently updated Investment Policy. The significant changes in the maturity and allowable investment products allowed the City to be more flexible and take advantage of market conditions. At the end of 2017, the City had earned \$3.69 M from its main investment portfolio, a 24 % increase over 2016.

The City's budgeting process is prescribed by the Ohio Revised Code (ORC) and the City of Dayton Charter, which was amended by voters in November of 2014. The original and revised budgets are 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 County Budget Commission in accordance with the Ohio Revised Code.

The most significant change to the City's 2017 budget was the inclusion of new revenue for the General Fund. 2017 was the first year that the passage of the 0.25 percentage point increase to the City's income tax rate began to realize additional resources to bolster City services. Proceeds from the increase are set aside to primarily fund vacant lot mowing, street paving, public safety service delivery as well as provide access to universal preschool for all 4 year-olds residing in the City of Dayton.

In developing the 2017 General Fund budget, the goal was to maintain service levels with a \$1.7 million use of cash reserves to fund capital investments. However, given the better than planned performance of expenditures compared to budget, the \$1.7 million planned use of cash reserves was not necessary. On a budgetary basis, fund balance increased by \$6.0 million in 2017.

Additional budgetary information is presented for the general fund on page F 18.

AWARDS AND ACKNOWLEDGEMENTS

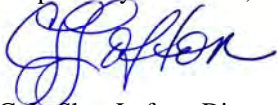
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Dayton for its CAFR for the year ended December 31, 2016, which represents the 35th consecutive year for this award. The Certificate 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 CAFR, whose contents conform to program standards judged by the GFOA. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to conform to the Certificate of Achievement program requirements, and the 2017 CAFR has been submitted to the GFOA for their review.

The Department of Finance has been ISO 9001 certified since 2013. The ISO 9001 certification requires an organization to demonstrate its ability to consistently provide products and services that meet customer needs and applicable statutory and regulatory requirements. This attainment is a great testament to the Department of Finance's commitment to provide accurate and excellent financial services for the City and its stakeholders.

In conclusion, I am proud to recognize and thank the Financial Analysis Team in the Department of Finance for their excellent work, diligent research, and thorough analysis in completing the 2017 CAFR. Moreover, the commitment to ensuring that the city's accounting records are well maintained all year long are also worthy of mention. I would also like to acknowledge and thank the City Manager's Office and the Department of Procurement, Management and Budget for their strategic and sound management of the City's resources. Finally, the City Administration is extremely fortunate to have excellent support from the Mayor and City Commissioners. It is through their conscientious leadership and well informed policy direction that the City administration consistently excels in managing Dayton's finances.

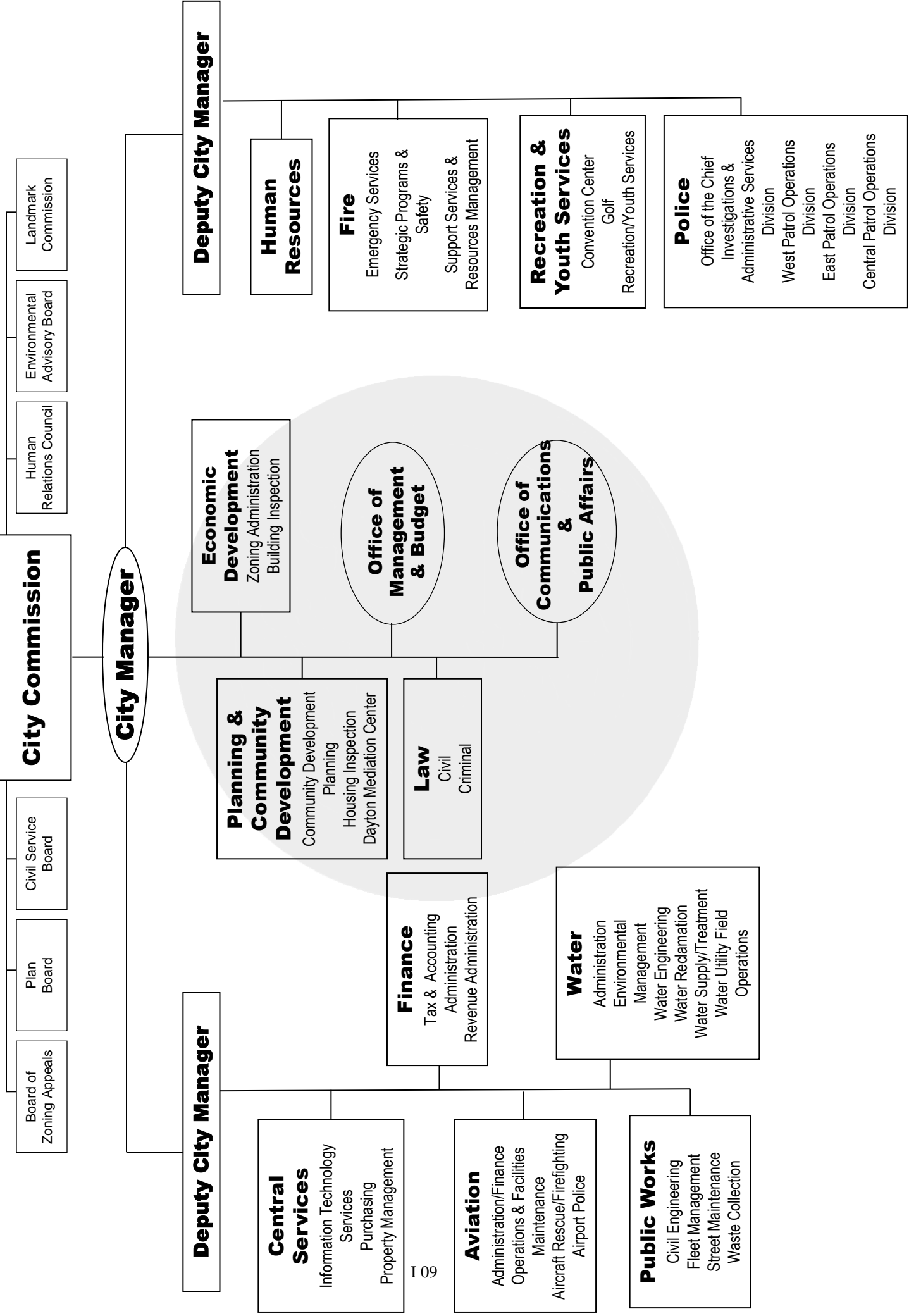
Respectfully submitted,



C. LaShea Lofton, Director
Department of Finance
City of Dayton, Ohio

Organization of the City of Dayton

Citizens of Dayton



CITY OF DAYTON, OHIO

**LIST OF ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2017**

ELECTED OFFICIALS

| | |
|--------------|------------------|
| Mayor | Nan Whaley |
| Commissioner | Joey D. Williams |
| Commissioner | Matt Joseph |
| Commissioner | Jeffrey Mims |
| Commissioner | Chris Shaw |

APPOINTED OFFICIALS

| | |
|------------------------------------------------------|--------------------|
| City Manager | Shelley Dickstein |
| Deputy City Manager | Tammi Clements |
| Deputy City Manager | Joseph Parlette |
| Director ~ Aviation | Terrence Slaybaugh |
| Secretary and Chief Examiner ~ Civil Service | Maurice Evans |
| Director ~ City Commission | Kery Gray |
| Clerk of Commission ~ City Commission | Rashella Lavender |
| Director ~ Finance | C. LaShea Lofton |
| Director and Chief ~ Fire | Jeffrey Payne |
| Director ~ Human Relations Council | Catherine Crosby |
| Director ~ Human Resources | Kenneth Couch |
| Director ~ Law | Barbara Doseck |
| Director ~ Management and Budget | Barbara LaBrier |
| Clerk of Courts ~ Municipal Court | Mark Owens |
| Acting Director ~ Planning and Community Development | Brian Inderrieden |
| Director and Chief ~ Police | Richard Biehl |
| Director ~ Public Works | Fred Stovall |
| Director ~ Recreation & Youth Services | Robin Williams |
| Director ~ Water | Mike Powell |



Government Finance Officers Association

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, 2016

Christopher P. Morrill

Executive Director/CEO

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Financial

FINANCIAL



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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Dayton
Montgomery County
101 West Third Street
Dayton, Ohio 45402

To the Honorable Mayor and City Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Montgomery County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

June 26, 2018

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CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

The Management's discussion and analysis of the City of Dayton's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2017. 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 2017 are as follows:

- The total net position of the City decreased \$13,773,107 in 2017 from restated 2016 net position as shown in Note 3. Net position of governmental activities decreased \$10,700,479 or 2.67% from 2016 as restated and net position of business-type activities decreased \$3,072,628 or 0.50% from 2016 net position as restated.
- The City had \$216,183,782 in revenues related to governmental activities. General revenues accounted for \$157,072,249 or 72.66% of total governmental activities revenue. Program specific revenues accounted for \$59,111,533 or 27.34% of total governmental activities revenue.
- The City had \$226,366,761 in expenses related to governmental activities; \$59,111,533 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$167,255,228 were partially offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$157,072,249.
- The general fund had revenues of \$175,588,364 in 2017. The expenditures and other financing uses of the general fund totaled \$176,252,000 in 2017. The net decrease in the fund balance for the general fund was \$663,636 or 1.05% below 2016.
- The debt service major fund had \$9,992,865 in revenues and other financing sources and \$10,204,724 in expenditures in 2017. The reduction in fund balance in the debt service fund was \$211,859, a 0.73% decrease from 2016.
- The capital improvements major fund had \$25,592,258 in revenues and other financing sources and \$37,862,897 in expenditures in 2017. The fund balance for the capital improvements fund decreased \$12,270,639 or 38.64% from 2016.
- Net position for the business-type activities, which are made up of the Dayton International Airport, Water, Sewer, Storm Water and Golf enterprise funds, decreased in 2017 by \$3,072,628.
- The Dayton International Airport enterprise fund had \$35,063,582 in operating revenues and \$43,496,256 in operating expenses in 2017. The Dayton International Airport enterprise fund also had non-operating revenues of \$2,031,280, non-operating expenses of \$3,593,313 and capital contributions of \$5,928,254. The net position of the Dayton International Airport enterprise fund decreased \$4,066,453 or 1.47% from 2016 as restated.
- The Water enterprise fund had \$53,373,084 in operating revenues and \$54,575,547 in operating expenses in 2017. The Water enterprise fund also had non-operating revenues of \$724,488, non-operating expenses of \$1,420,529 and capital contributions of \$248,472. The net position of the Water enterprise fund decreased \$1,650,032 or 0.87% from 2016 as restated.
- The Sewer enterprise fund had \$34,457,043 in operating revenues and \$30,860,530 in operating expenses in 2017. The Sewer enterprise fund also had non-operating revenues of \$436,528 and non-operating expenses of \$1,256,237. The net position of the Sewer enterprise fund increased \$2,776,804 or 2.32% over 2016 as restated.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

- In the general fund, the actual revenues were \$2,406,977 lower than they were in the final budget and actual expenditures and other financing uses were \$4,656,702 less than the amount in the final budget. Budgeted revenues increased \$1,123,100 from the original to the final budget. Budgeted expenditures and other financing uses increased \$478,600 from the original to the final budget.

Using this Comprehensive Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole 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 Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, this review examines the City's financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses 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 position and changes in net position. This change is important because it tells the reader that the financial position of the City has either 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 others.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

1. Governmental Activities - Most of the City's programs and services are reported 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.
2. 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.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page F 15 of this report.

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 improvements 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 F 34 - F 41 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 F 42 - F 51 of this report.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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 statements 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 F 52 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 F 53 - F 116 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Government-Wide Financial Analysis

The table below is a summary of the City's net position at December 31, 2017 compared to December 31, 2016.

| | Net Position | | | | | |
|-------------------------------------------|----------------------------|----------------------------------------|-----------------------------|-----------------------------------------|-------------------------|-------------------------|
| | Governmental Activities | Governmental Activities Restated | Business-Type Activities | Business-Type Activities Restated | Total | Total Restated |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 217,590,924 | \$ 232,275,728 | \$ 240,343,192 | \$ 264,396,096 | \$ 457,934,116 | \$ 496,671,824 |
| Capital assets, net | <u>445,573,893</u> | <u>428,669,954</u> | <u>584,929,657</u> | <u>560,956,848</u> | <u>1,030,503,550</u> | <u>989,626,802</u> |
| Total assets | <u>663,164,817</u> | <u>660,945,682</u> | <u>825,272,849</u> | <u>825,352,944</u> | <u>1,488,437,666</u> | <u>1,486,298,626</u> |
| Deferred outflows | <u>51,942,730</u> | <u>54,654,307</u> | <u>23,727,087</u> | <u>19,821,150</u> | <u>75,669,817</u> | <u>74,475,457</u> |
| Total asset and deferred outflows | <u>715,107,547</u> | <u>715,599,989</u> | <u>848,999,936</u> | <u>845,174,094</u> | <u>1,564,107,483</u> | <u>1,560,774,083</u> |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 14,678,519 | 11,955,438 | 15,985,382 | 13,236,372 | 30,663,901 | 25,191,810 |
| Long-term liabilities: | | | | | | |
| Due within one year | 17,684,073 | 16,936,603 | 9,643,121 | 9,362,161 | 27,327,194 | 26,298,764 |
| Net pension liability | 203,843,784 | 191,388,971 | 59,468,029 | 48,588,355 | 263,311,813 | 239,977,326 |
| Other liabilities | <u>69,558,384</u> | <u>77,624,504</u> | <u>148,916,126</u> | <u>156,443,994</u> | <u>218,474,510</u> | <u>234,068,498</u> |
| Total liabilities | <u>305,764,760</u> | <u>297,905,516</u> | <u>234,012,658</u> | <u>227,630,882</u> | <u>539,777,418</u> | <u>525,536,398</u> |
| Deferred inflows | <u>19,749,733</u> | <u>17,400,940</u> | <u>1,500,328</u> | <u>983,634</u> | <u>21,250,061</u> | <u>18,384,574</u> |
| Total liabilities and deferred inflows | <u>325,514,493</u> | <u>315,306,456</u> | <u>235,512,986</u> | <u>228,614,516</u> | <u>561,027,479</u> | <u>543,920,972</u> |
| <u>Net Position</u> | | | | | | |
| Net investment | | | | | | |
| in capital assets | 398,432,088 | 372,458,561 | 481,494,371 | 461,538,909 | 879,926,459 | 833,997,470 |
| Restricted | 46,244,345 | 57,403,783 | 9,737,907 | 9,514,757 | 55,982,252 | 66,918,540 |
| Unrestricted | <u>(55,083,379)</u> | <u>(29,568,811)</u> | <u>122,254,672</u> | <u>145,505,912</u> | <u>67,171,293</u> | <u>115,937,101</u> |
| Total net position | <u>\$ 389,593,054</u> | <u>\$ 400,293,533</u> | <u>\$ 613,486,950</u> | <u>\$ 616,559,578</u> | <u>\$ 1,003,080,004</u> | <u>\$ 1,016,853,111</u> |

In a prior year, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,003,080,004. At year-end, net positions were \$389,593,054 and \$613,486,950 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, 2017
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets and deferred outflows. At year-end, capital assets represented 65.88% of total assets and deferred outflows. Capital assets include land, right of ways, construction in progress (CIP), improvements other than buildings, buildings and improvements, equipment, software, vehicles and infrastructure.

The City's net investment in capital assets at December 31, 2017, was \$398,432,088 and \$481,494,371 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, 2017, the City is able to report a positive balance in total net position, for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$55,982,252, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit balance of \$55,083,379.

The table on the next page shows the changes in net position for 2017 and 2016.

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CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Change in Net Position

| | Governmental Activities <u>2017</u> | Governmental Activities <u>2016</u> | Business-Type Activities <u>2017</u> | Business-Type Activities <u>2016</u> | Total <u>2017</u> | Total <u>2016</u> |
|-------------------------------------------------|-------------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------|-------------------------|
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services and sales | \$ 31,989,543 | \$ 33,718,351 | \$ 120,083,605 | \$ 118,447,667 | \$ 152,073,148 | \$ 152,166,018 |
| Operating grants and contributions | 14,355,175 | 15,921,133 | - | - | 14,355,175 | 15,921,133 |
| Capital grants and contributions | <u>12,766,815</u> | <u>13,275,111</u> | <u>6,176,726</u> | <u>13,605,971</u> | <u>18,943,541</u> | <u>26,881,082</u> |
| Total program revenues | <u>59,111,533</u> | <u>62,914,595</u> | <u>126,260,331</u> | <u>132,053,638</u> | <u>185,371,864</u> | <u>194,968,233</u> |
| General revenues: | | | | | | |
| Property taxes | 9,749,960 | 12,530,977 | - | - | 9,749,960 | 12,530,977 |
| Income taxes | 125,253,442 | 109,275,331 | - | - | 125,253,442 | 109,275,331 |
| Payment in lieu of taxes | 1,997,895 | 1,639,517 | - | - | 1,997,895 | 1,639,517 |
| Unrestricted grants | 13,618,351 | 14,475,022 | - | - | 13,618,351 | 14,475,022 |
| Interest | 2,118,284 | 2,258,330 | 1,552,267 | 863,088 | 3,670,551 | 3,121,418 |
| Miscellaneous | <u>4,334,317</u> | <u>3,399,230</u> | <u>13,148,319</u> | <u>12,535,999</u> | <u>17,482,636</u> | <u>15,935,229</u> |
| Total general revenues | <u>157,072,249</u> | <u>143,578,407</u> | <u>14,700,586</u> | <u>13,399,087</u> | <u>171,772,835</u> | <u>156,977,494</u> |
| Total revenues | <u>216,183,782</u> | <u>206,493,002</u> | <u>140,960,917</u> | <u>145,452,725</u> | <u>357,144,699</u> | <u>351,945,727</u> |
| Expenses: | | | | | | |
| Downtown | 3,204,951 | 3,653,125 | - | - | 3,204,951 | 3,653,125 |
| Youth, education and human services | 219,529 | 120,375 | - | - | 219,529 | 120,375 |
| Community development | 20,646,893 | 20,766,486 | - | - | 20,646,893 | 20,766,486 |
| Economic development | 26,135,222 | 10,273,961 | - | - | 26,135,222 | 10,273,961 |
| Leadership and quality of life | 43,843,557 | 43,181,443 | - | - | 43,843,557 | 43,181,443 |
| Corporate responsibility | 18,800,773 | 16,482,483 | - | - | 18,800,773 | 16,482,483 |
| Public safety and justice | 110,670,677 | 107,505,250 | - | - | 110,670,677 | 107,505,250 |
| Interest and fiscal charges | 2,845,159 | 3,074,675 | - | - | 2,845,159 | 3,074,675 |
| Dayton International Airport | - | - | 45,920,196 | 39,640,671 | 45,920,196 | 39,640,671 |
| Water | - | - | 56,194,400 | 49,944,784 | 56,194,400 | 49,944,784 |
| Sewer | - | - | 32,211,627 | 30,326,605 | 32,211,627 | 30,326,605 |
| Other business-type activities: | | | | | | |
| Storm water | - | - | 7,110,595 | 5,700,888 | 7,110,595 | 5,700,888 |
| Golf | - | - | 3,114,227 | 2,991,868 | 3,114,227 | 2,991,868 |
| Total expenses | <u>226,366,761</u> | <u>205,057,798</u> | <u>144,551,045</u> | <u>128,604,816</u> | <u>370,917,806</u> | <u>333,662,614</u> |
| Increase in net position before transfers | (10,182,979) | 1,435,204 | (3,590,128) | 16,847,909 | (13,773,107) | 18,283,113 |
| Transfers | <u>(517,500)</u> | <u>(501,000)</u> | <u>517,500</u> | <u>501,000</u> | <u>-</u> | <u>-</u> |
| Change in net position | <u>(10,700,479)</u> | <u>934,204</u> | <u>(3,072,628)</u> | <u>17,348,909</u> | <u>(13,773,107)</u> | <u>18,283,113</u> |
| Net position at beginning of year (restated) | <u>400,293,533</u> | <u>399,359,329</u> | <u>616,559,578</u> | <u>599,210,669</u> | <u>1,016,853,111</u> | <u>998,569,998</u> |
| Net position at end of year | <u>\$ 389,593,054</u> | <u>\$ 400,293,533</u> | <u>\$ 613,486,950</u> | <u>\$ 616,559,578</u> | <u>\$ 1,003,080,004</u> | <u>\$ 1,016,853,111</u> |

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Governmental Activities

Governmental activities net position decreased \$10,700,479 in 2017. This decrease of 2.67% is due to an increase in expenditures for the City.

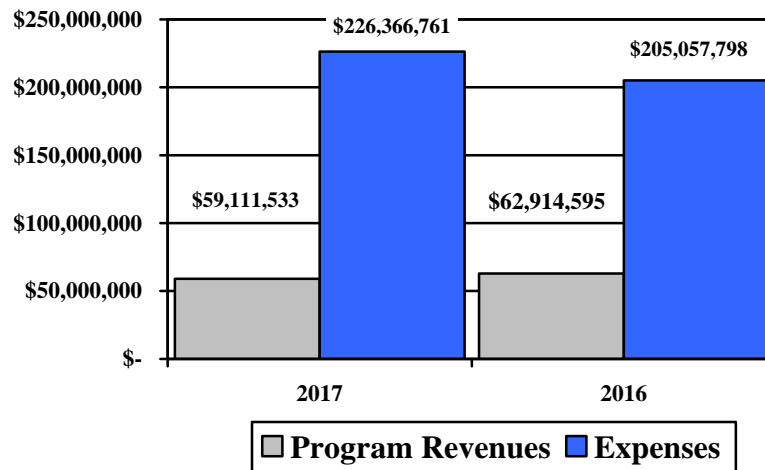
Public safety and justice, which primarily supports the operations of the police and fire departments accounted for \$110,670,677 of the total expenses of the City. These expenses were partially funded by \$17,943,019 in direct charges to users of the services. Leadership and quality of life expenses totaled \$43,843,557. Leadership and quality of life expenses were partially funded by \$5,968,710 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$14,355,175 in operating grants and contributions and \$12,766,815 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,059,480 subsidized leadership and quality of life and \$8,138,043 subsidized community development and neighborhoods. The total capital grants and contributions, \$12,766,815 subsidized leadership and quality of life programs.

General revenues totaled \$157,072,249 and amounted to 72.66% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$135,003,402. 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 \$13,618,351.

The statement of activities on pages F 32 – F 33 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

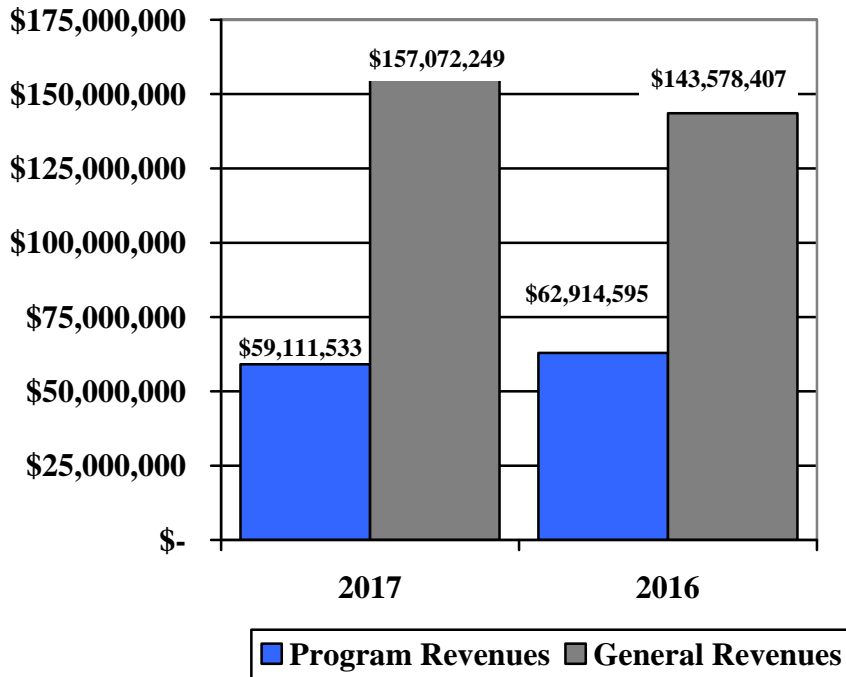
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Governmental Activities

| | Total Cost of Services <u>2017</u> | Net Cost of Services <u>2017</u> | Total Cost of Services <u>2016</u> | Net Cost of Services <u>2016</u> |
|-----------------------------------------|------------------------------------------|----------------------------------------|------------------------------------------|----------------------------------------|
| Program Expenses: | | | | |
| Downtown | \$ 3,204,951 | \$ 2,732,506 | \$ 3,653,125 | \$ 3,027,385 |
| Youth, education and human services | 219,529 | 203,848 | 120,375 | 101,529 |
| Community development and neighborhoods | 20,646,893 | 10,298,590 | 20,766,486 | 11,664,451 |
| Economic development | 26,135,222 | 23,313,958 | 10,273,961 | 7,170,902 |
| Leadership and quality of life | 43,843,557 | 19,048,552 | 43,181,443 | 16,191,067 |
| Corporate responsibility | 18,800,773 | 16,084,957 | 16,482,483 | 13,626,097 |
| Public safety and justice | 110,670,677 | 92,727,658 | 107,505,250 | 87,287,097 |
| Interest and fiscal charges | <u>2,845,159</u> | <u>2,845,159</u> | <u>3,074,675</u> | <u>3,074,675</u> |
| Total Expenses | <u>\$ 226,366,761</u> | <u>\$ 167,255,228</u> | <u>\$ 205,057,798</u> | <u>\$ 142,143,203</u> |

The dependence upon general revenues for governmental activities is apparent, with 73.89% of expenses supported through taxes and other general revenues. Total governmental expenses were \$226,366,761, program revenues were \$59,111,533 and general revenues were \$157,072,249.

Governmental Activities – General and Program Revenues



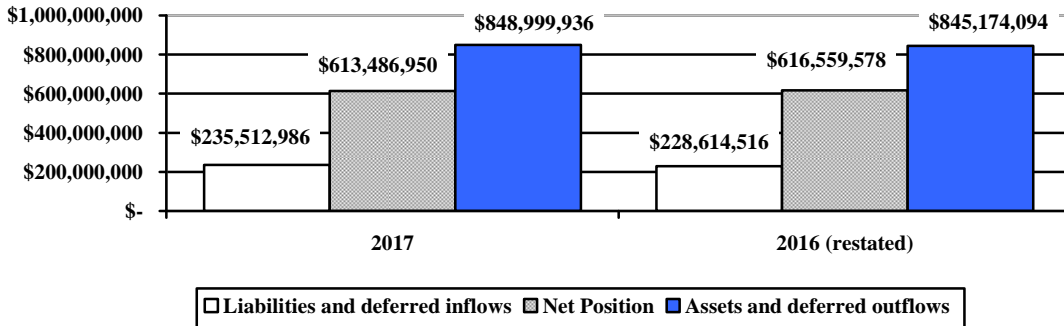
CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Business-Type Activities

Business-type activities include the Dayton International Airport, Water, Sewer, Storm Water and Golf enterprise funds. Overall, the net position of the business-type activities decreased \$3,072,628 in 2017. This decrease of 0.50% is due to a decrease in revenues and an increase in expenditures for the City. These programs had program revenues of \$126,260,331, general revenues of \$14,700,586 and expenses of \$144,551,045 for 2017. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end (see pages F 30 and F 31).

Net Position 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, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The City's governmental funds (as presented on the balance sheet on page F 34 - F 35) reported a combined fund balance of \$124,636,673 which is \$12,986,059 lower than last year's total of \$137,622,732. The table below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

| | <u>Fund Balances</u> <u>12/31/17</u> | <u>Fund Balances</u> <u>12/31/16</u> | <u>Increase/</u> <u>(Decrease)</u> |
|-----------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|
| Major Funds: | | | |
| General | \$ 62,265,027 | \$ 62,928,663 | \$ (663,636) |
| Debt service | 28,663,891 | 28,875,750 | (211,859) |
| Capital improvement | 19,481,979 | 31,752,618 | (12,270,639) |
| Other nonmajor governmental funds | <u>14,225,776</u> | <u>14,065,701</u> | <u>160,075</u> |
| Total | <u>\$ 124,636,673</u> | <u>\$ 137,622,732</u> | <u>\$ (12,986,059)</u> |

General Fund

The City's general fund balance decreased \$663,636 (see the table above).

| | <u>2017</u> <u>Amount</u> | <u>2016</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Income, property and other taxes | \$ 137,658,609 | \$ 122,199,578 | 12.65 % |
| Charges for services | 24,917,049 | 26,669,050 | (6.57) % |
| Licenses and permits | 1,721,640 | 1,557,705 | 10.52 % |
| Fines and forfeitures | 634,383 | 638,978 | (0.72) % |
| Investment income | 1,931,858 | 2,627,673 | (26.48) % |
| Special assessments | 169,124 | 198,279 | (14.70) % |
| Intergovernmental | 4,249,033 | 4,365,137 | (2.66) % |
| Other | <u>4,306,668</u> | <u>2,725,525</u> | 58.01 % |
| Total | <u>\$ 175,588,364</u> | <u>\$ 160,981,925</u> | 9.07 % |

The above table assists in illustrating the revenues of the general fund. Overall revenues of the general fund increased \$14,606,439. The most significant increases were in the areas of income, property and other taxes, licenses and permits and other revenue.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

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

| | 2017 | 2016 | Percentage |
|-----------------------------------------|-----------------------|-----------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Expenditures</u> | | | |
| Downtown | \$ 2,842,200 | \$ 3,266,286 | (12.98) % |
| Youth, education and human services | 94,338 | 104,913 | (10.08) % |
| Community development and neighborhoods | 12,342,265 | 12,396,711 | (0.44) % |
| Economic development | 12,878,364 | 6,649,167 | 93.68 % |
| Leadership and quality of life | 24,661,870 | 22,661,555 | 8.83 % |
| Corporate responsibility | 15,069,560 | 14,879,137 | 1.28 % |
| Public safety and justice | <u>98,263,928</u> | <u>95,257,822</u> | 3.16 % |
| Total | <u>\$ 166,152,525</u> | <u>\$ 155,215,591</u> | 7.05 % |

Overall expenditures of the general fund increased by \$10,936,934 or 7.05%. The largest expenditure of the City, public safety and justice, increased \$3,006,106 or 3.16%. The largest expenditure increase is in the area of economic development and is a result of development projects and the write-off of a loan with CityWide Development Group for a Tech Town building project.

Debt Service

The City's debt service fund balance decreased \$211,859 (see page F 38). The decrease in fund balance was primarily due to the payment on bonds. The following tables illustrate the revenues and expenditures of the debt service fund.

| | 2017 | 2016 | Percentage |
|------------------------|---------------------|---------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Revenues</u> | | | |
| Taxes | \$ 6,290,806 | \$ 6,455,524 | (2.55) % |
| Intergovernmental | 2,422,628 | 2,470,318 | (1.93) % |
| Special assessments | 33,417 | 36,801 | (9.20) % |
| Investment income | 27,503 | - | 100.00 % |
| Other | <u>27,649</u> | <u>187,764</u> | (85.27) % |
| Total | <u>\$ 8,802,003</u> | <u>\$ 9,150,407</u> | (3.81) % |

| | 2017 | 2016 | Percentage |
|-----------------------------|----------------------|---------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Expenditures</u> | | | |
| Corporate responsibility | \$ 113,292 | \$ 101,704 | 11.39 % |
| Bond issuance costs | - | 267,816 | (100.00) % |
| Principal retirement | 7,033,560 | 6,731,095 | 4.49 % |
| Interest and fiscal charges | <u>3,057,872</u> | <u>2,797,870</u> | 9.29 % |
| Total | <u>\$ 10,204,724</u> | <u>\$ 9,898,485</u> | 3.09 % |

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Capital Improvements

The City's capital improvement fund's fund balance decreased by \$12,270,639 or 38.64% (see page F 38). The tables below illustrate the revenues and expenditures of the capital improvement fund. Revenues increased \$689,511 or 4.10%. The tax revenue is used to reduce the balance of the manuscript debt. Expenditures increased \$10,565,266 or 38.70%. In addition to the revenues listed on the chart below, the capital improvements fund had \$8,070,601 in transfers from the general fund to be used for capital improvements. The debt service payments made from the capital improvement fund were for an OPWC loan and debt payments made with payment in lieu of tax revenue.

| | 2017 | 2016 | Percentage |
|---------------------------|----------------------|----------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Revenues</u> | | | |
| Taxes | \$ 321,800 | \$ 321,800 | - % |
| Charges for services | 115,269 | 554,978 | (79.23) % |
| Intergovernmental | 13,681,081 | 13,950,686 | (1.93) % |
| Payments in lieu of taxes | 2,919,537 | 1,687,149 | 73.05 % |
| Other | <u>483,970</u> | <u>317,533</u> | 52.42 % |
| Total | <u>\$ 17,521,657</u> | <u>\$ 16,832,146</u> | 4.10 % |

| | 2017 | 2016 | Percentage |
|-------------------------------------|----------------------|----------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Expenditures</u> | | | |
| Downtown | \$ - | \$ 201,876 | (100.00) % |
| Community development and neighbors | 752,053 | 629,010 | 19.56 % |
| Economic development | 3,697,797 | 1,513,209 | 144.37 % |
| Leadership and quality of life | 1,899,415 | 1,858,318 | 2.21 % |
| Corporate responsibility | 507,927 | 274,450 | 85.07 % |
| Public safety and justice | - | 29,424 | (100.00) % |
| Capital outlay | 30,601,707 | 20,836,262 | 46.87 % |
| Debt service | <u>403,998</u> | <u>1,955,082</u> | (79.34) % |
| Total | <u>\$ 37,862,897</u> | <u>\$ 27,297,631</u> | 38.70 % |

2017 Budgeting Highlights – General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC) and the City of Dayton Charter, which was amended by voters in November of 2014. The original and revised budgets are 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 County Budget Commission in accordance with the Ohio Revised Code.

Given that the City's plans or priorities may change during the year or economic conditions may improve or deteriorate, revisions to the original budget are customary and necessary. For instance, if forecasted revenues are adjusted during the course of the year due to actual revenue performance, then the certificate of available resources and the appropriation are also adjusted to ensure expenditures do not exceed available resources. In addition, if funding priorities change during the fiscal year, resources may be reallocated from one activity to another, necessitating a corresponding change in budget.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Budgetary information is presented for the general fund on page F 41. With respect to changes to the general fund, the final budget reflects projected revenues that were \$1.1 million higher than the original budget. Actual revenues had a negative variance of \$1.3 million, or 0.7% compared to the original budget and an even larger negative variance of \$2.4 million or 1.4% compared to the final budget. A determination was made in the final quarter of 2017 to eliminate the long-standing 14-period and to bring the City's budgeting basis closer to a cash basis. This reduced actual revenues and expenditures that previously would have been recorded in the accrual period.

Actual general fund revenues performed better in four categories relative to the original forecast and underperformed in six categories. As it relates to the final budget, actual revenues again exceeded the budget in four categories but fell short in six, albeit only three categories exceeded 10%. The negative variance to both the original and final budgets of 0.7% and 1.4%, respectively, indicates that we did not meet our performance metric of 0% to 3% positive variance for revenues.

Two revenue categories realized a variance in excess of 10% when compared to the original budget and three when compared to the final budget. Special assessments performed \$380,876 below both the original and final budget, representing a nearly 70% variance. The increase in special assessment revenue as a result of a higher level of assessments was premature by one year. Other revenue realized a favorable variance of \$1.6 million to the original budget and a \$717,721 variance to the final budget, resulting from an unplanned reimbursement from the State of Ohio, Bureau of Workers Compensation. Finally, fines and forfeitures experienced a \$335,467, or 33.9% variance to the final budget due to the later than anticipated start of the City's Public Safety Photo Enforcement Program. Proceeds from this program are dedicated for the sole purpose of public safety equipment.

Actual expenditures in 2017 were \$7.1 million or 4.1% under (favorable) the original budget while the final budget was \$4.6 million or 2.7% higher than actuals. Two of the ten programmatic areas realized variances in excess of 10%. Youth, education and human services was budgeted at \$57,400 but actual expenditures came in at \$89,422. The "other expenditure" category realized a favorable variance to the original budget of \$1.2 million, or 18.2%. This variance is a function of allowing some flexibility in contingency funds during the year. Both the original and final budgets experienced sizable percentage variances for interest charges, although the dollar amount was just \$2,160.

Actual operating transfers out were \$2.9 million over the original budget and \$72,626 under the final budget. A higher level of transfers was incorporated into the final budget given the lower than planned spending levels.

In both the original and final budget, use of fund balance was anticipated for special project activities as well as for transfers in support of capital investments. Funds for special projects are often received in one year and spent in later years, which was the case in 2017 especially as it relates to economic development projects. When the adjustment is made for prior year encumbrances, the general fund ended the year with a \$65.1 million fund balance, which is \$6.0 million higher than 2016. The significant increase in fund balance is the result of a 0.25 percentage point increase in the City's income tax rate. The increase generated nearly \$11 million in new funding that supports residential road resurfacing, park improvements, vacant lot and boulevard mowing, additional police officers and access to high quality preschool for all Dayton families.

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 City's business-type funds (as presented on the statement of net position on pages F 42 - F 45) reported a combined net position of \$613,314,163 which is \$2,148,748 below last year's total of \$615,462,911 as restated.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The following table indicates the net position and the total change in net position as of December 31, 2017 for all major and nonmajor business-type funds.

| | Net Position <u>12/31/17</u> | Restated Net Position <u>12/31/16</u> | Increase (decrease) |
|--------------------------------|---------------------------------|---------------------------------------------|------------------------|
| Major Funds: | | | |
| Dayton International Airport | \$ 272,406,492 | \$ 276,472,945 | \$ (4,066,453) |
| Water | 187,367,572 | 189,017,604 | (1,650,032) |
| Sewer | 122,275,640 | 119,498,836 | 2,776,804 |
| Other Business-type activities | <u>31,264,459</u> | <u>30,473,526</u> | <u>790,933</u> |
| Total | <u>\$ 613,314,163</u> | <u>\$ 615,462,911</u> | <u>\$ (2,148,748)</u> |

Dayton International Airport (DIA)

The City's Dayton International Airport net position decreased by \$4,066,453 or 1.47% from the restated amount. The Dayton International Airport received \$5,928,254 in capital contributions.

The following tables illustrate the revenues and expenses of the Dayton International Airport fund.

| | <u>2017 Amount</u> | <u>2016 Amount</u> | Percentage <u>Change</u> |
|----------------------------------|------------------------|------------------------|-----------------------------|
| <u>Operating Revenues</u> | | | |
| Charges for services | \$ 27,065,242 | \$ 26,086,061 | 3.75 % |
| Other | <u>7,998,340</u> | <u>7,709,403</u> | 3.75 % |
| Total | <u>\$ 35,063,582</u> | <u>\$ 33,795,464</u> | 3.75 % |

Operating revenues increased by \$1,268,118 or 3.75%.

| | <u>2017 Amount</u> | <u>2016 Amount</u> | Percentage <u>Change</u> |
|----------------------------------|------------------------|------------------------|-----------------------------|
| <u>Operating Expenses</u> | | | |
| Personal services | \$ 9,254,880 | \$ 9,513,475 | (2.72) % |
| Benefit payments | 5,473,255 | 4,501,181 | 21.60 % |
| Contractual services | 10,021,122 | 3,908,257 | 156.41 % |
| Materials and supplies | 1,065,376 | 1,316,973 | (19.10) % |
| Utilities | 1,656,597 | 1,960,904 | (15.52) % |
| Depreciation | 13,450,171 | 12,575,510 | 6.96 % |
| Other | <u>2,574,855</u> | <u>3,174,363</u> | (18.89) % |
| Total | <u>\$ 43,496,256</u> | <u>\$ 36,950,663</u> | 17.71 % |

Operating expenses increased by \$6,545,593 or 17.71%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

| | <u>2017</u> | <u>2016</u> | <u>Percentage</u> |
|--------------------------------------------------------|---------------------|---------------------|-------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Interest revenue | \$ 747,926 | \$ 502,165 | 48.94 % |
| Interest expense and fiscal charges | (3,457,821) | (2,361,402) | 46.43 % |
| Increase(decrease) in fair market value of investments | (135,492) | (144,171) | (6.02) % |
| Gain on sale of capital assets | 1,283,354 | - | 100.00 % |
| Bond issuance costs | - | (668,941) | (100.00) % |
| Capital contributions | <u>5,928,254</u> | <u>9,959,857</u> | (40.48) % |
| Total | <u>\$ 4,366,221</u> | <u>\$ 7,287,508</u> | (40.09) % |

Nonoperating revenues and expenses decreased by \$2,921,287 or 40.09%. Capital contributions for 2016 and 2017 were primarily for Federal grants that are being used for capital improvements, including significant upgrades to the terminal, along with passenger facility charges.

Water

The City's Water fund net position decreased by \$1,650,032 or 0.87% from the restated amount (see the table on F 20).

| | <u>2017</u> | <u>2016</u> | <u>Percentage</u> |
|----------------------------------|----------------------|----------------------|-------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Operating Revenues</u> | | | |
| Charges for services | \$ 48,891,167 | \$ 49,912,404 | (2.05) % |
| Other | <u>4,481,917</u> | <u>4,353,648</u> | 2.95 % |
| Total | <u>\$ 53,373,084</u> | <u>\$ 54,266,052</u> | (1.65) % |

Operating revenues decreased by \$892,968 or 1.65%.

| | <u>2017</u> | <u>2016</u> | <u>Percentage</u> |
|----------------------------------|----------------------|----------------------|-------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Operating Expenses</u> | | | |
| Personal services | \$ 16,113,566 | \$ 15,588,070 | 3.37 % |
| Benefit payments | 9,857,197 | 7,202,144 | 36.86 % |
| Contractual services | 8,274,149 | 6,539,604 | 26.52 % |
| Materials and supplies | 4,885,951 | 4,530,942 | 7.84 % |
| Utilities | 5,036,094 | 5,289,696 | (4.79) % |
| Depreciation | 7,261,946 | 7,098,170 | 2.31 % |
| Other | <u>3,146,644</u> | <u>3,146,537</u> | 0.00 % |
| Total | <u>\$ 54,575,547</u> | <u>\$ 49,395,163</u> | 10.49 % |

Operating expenses increased by \$5,180,384 or 10.49%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

| | <u>2017</u> | <u>2016</u> | <u>Percentage</u> |
|---------------------------------------------------------|---------------------|---------------------|-------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Interest revenue | \$ 724,488 | \$ 355,939 | 103.54 % |
| Interest expense and fiscal charges | (1,141,063) | (994,137) | 14.78 % |
| Increase (decrease) in fair market value of investments | (207,656) | (103,611) | 100.42 % |
| Capital contributions | 248,472 | 3,447,881 | (92.79) % |
| Loss on sale of capital assets | <u>(71,810)</u> | <u>-</u> | (100.00) % |
| Total | <u>\$ (447,569)</u> | <u>\$ 2,706,072</u> | 116.54 % |

Nonoperating revenues and expenses decreased \$3,153,641 or 116.54% for 2017.

Sewer

The City's Sewer fund net position increased by \$2,776,804 or 2.32% as restated (see page F 20).

| | <u>2017</u> | <u>2016</u> | <u>Percentage</u> |
|----------------------------------|----------------------|----------------------|-------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Operating Revenues</u> | | | |
| Charges for services | \$ 33,845,779 | \$ 32,309,554 | 4.75 % |
| Other | <u>611,264</u> | <u>472,948</u> | 29.25 % |
| Total | <u>\$ 34,457,043</u> | <u>\$ 32,782,502</u> | 5.11 % |

Operating revenues increased by \$1,674,541 or 5.11%.

| | <u>2017</u> | <u>2016</u> | <u>Percentage</u> |
|----------------------------------|----------------------|----------------------|-------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Operating Expenses</u> | | | |
| Personal services | \$ 7,881,986 | \$ 7,885,915 | (0.05) % |
| Benefit payments | 4,672,616 | 3,663,004 | 27.56 % |
| Contractual services | 7,876,762 | 7,092,012 | 11.07 % |
| Materials and supplies | 2,249,167 | 2,115,291 | 6.33 % |
| Utilities | 2,333,399 | 2,733,299 | (14.63) % |
| Depreciation | 4,949,494 | 4,514,490 | 9.64 % |
| Other | <u>897,106</u> | <u>1,340,013</u> | (33.05) % |
| Total | <u>\$ 30,860,530</u> | <u>\$ 29,344,024</u> | 5.17 % |

Operating expenses increased by \$1,516,506 or 5.17%.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

| | 2017 | 2016 | Percentage |
|--------------------------------------------------------|---------------------|---------------------|---------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Change</u> |
| <u>Nonoperating Revenues (Expenses)</u> | | | |
| Interest revenue | \$ 436,528 | \$ 272,494 | 60.20 % |
| Increase(decrease) in fair market value of investments | (92,443) | (66,382) | 39.26 % |
| Interest expense and fiscal charges | (1,126,911) | (1,187,526) | (5.10) % |
| Loss on sale of capital assets | (36,883) | - | (100.00) % |
| Capital contributions | <u>-</u> | <u>198,233</u> | 100.00 % |
| Total | <u>\$ (819,709)</u> | <u>\$ (783,181)</u> | (4.66) % |

Nonoperating revenues and expenses in 2017 decreased by \$36,528 or 4.66%.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2017, the City had \$1,030,503,550 (net of accumulated depreciation) invested in land, right of ways, buildings and improvements, improvements other than buildings, equipment, software, vehicles, infrastructure and construction in progress (CIP). Of this total, \$445,573,893 was reported in governmental activities and \$584,929,657 was reported in business-type activities. See Note 12 in the basic financial statements for additional capital asset disclosure.

The following table shows December 31, 2017 balances compared to December 31, 2016:

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

| | Governmental | Restated Governmental | Business-Type | Restated Business-Type | Total | Restated Total |
|---------------------------------------------|-----------------------|--------------------------|-----------------------|---------------------------|-------------------------|-----------------------|
| | Activities | Activities | Activities | Activities | Total | Total |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Land | \$ 51,464,353 | \$ 51,011,664 | \$ 42,700,323 | \$ 42,696,301 | \$ 94,164,676 | \$ 93,707,965 |
| Construction in progress | 8,852,899 | 21,568,904 | 18,776,960 | 27,701,409 | 27,629,859 | 49,270,313 |
| Right of ways | 14,007,402 | 14,007,402 | - | - | 14,007,402 | 14,007,402 |
| Buildings and improvements | 79,575,280 | 75,924,381 | 131,515,887 | 123,364,147 | 211,091,167 | 199,288,528 |
| Improvements other than buildings (IOTB) | 17,545,038 | 16,598,225 | 370,292,028 | 345,884,980 | 387,837,066 | 362,483,205 |
| Equipment | 4,172,275 | 5,124,081 | 5,269,913 | 4,670,024 | 9,442,188 | 9,794,105 |
| Software | 454,121 | 597,066 | 1,271,944 | 1,542,025 | 1,726,065 | 2,139,091 |
| Vehicles | 16,436,449 | 14,060,982 | 15,102,602 | 15,097,962 | 31,539,051 | 29,158,944 |
| Infrastructure | <u>253,066,076</u> | <u>229,777,249</u> | <u>-</u> | <u>-</u> | <u>253,066,076</u> | <u>229,777,249</u> |
| Total | <u>\$ 445,573,893</u> | <u>\$ 428,669,954</u> | <u>\$ 584,929,657</u> | <u>\$ 560,956,848</u> | <u>\$ 1,030,503,550</u> | <u>\$ 989,626,802</u> |

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, 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 56.80% of the City's total governmental capital assets.

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 63.31% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2017 and 2016:

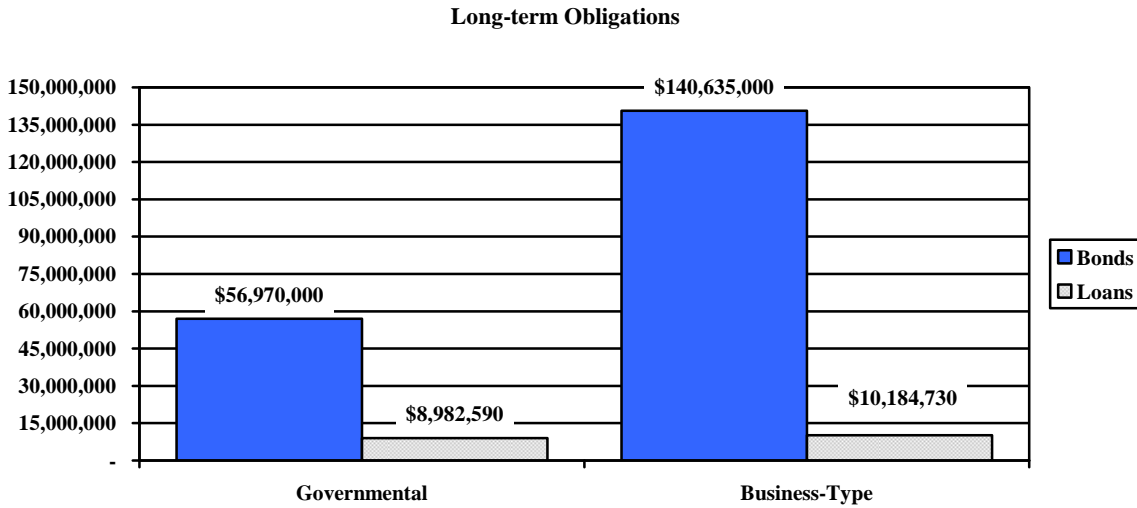
| | Governmental Activities <u>2017</u> | Governmental Activities <u>2016</u> |
|-------------------------------------|--------------------------------------------|--------------------------------------------|
| General obligation bonds | \$ 35,125,000 | \$ 39,730,000 |
| Revenue bonds | <u>21,845,000</u> | <u>24,055,000</u> |
| Total bonds | <u>56,970,000</u> | <u>63,785,000</u> |
| OPWC loans | 1,015,767 | 1,116,405 |
| State infrastructure bank loan | 2,472,769 | 2,568,125 |
| State infrastructure bank bonds | 3,315,000 | 3,465,000 |
| Ohio Department of Development Loan | <u>2,179,054</u> | <u>2,440,804</u> |
| Total loans | <u>8,982,590</u> | <u>9,590,334</u> |
| Total long-term obligations | <u>\$ 65,952,590</u> | <u>\$ 73,375,334</u> |
| | Business-type Activities <u>2017</u> | Business-type Activities <u>2016</u> |
| General obligation bonds | \$ 36,135,000 | \$ 38,415,000 |
| Revenue bonds | <u>104,500,000</u> | <u>108,125,000</u> |
| Total bonds | <u>140,635,000</u> | <u>146,540,000</u> |
| OWDA loans | 5,167,722 | 6,031,338 |
| OPWC loans | 150,000 | 200,000 |
| Jobs Ohio loans | <u>4,867,008</u> | <u>5,000,000</u> |
| Total loans | <u>10,184,730</u> | <u>11,231,338</u> |
| Total long-term obligations | <u>\$ 150,819,730</u> | <u>\$157,771,338</u> |

CITY OF DAYTON, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

See Note 14 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.



Economic Outlook and the 2018 Budget

After years of stagnant or declining growth, the economy of the Dayton Region has turned the corner and registered four years of continuous job growth. New construction and business expansions are fueling optimism and reinforcing broader-based consumer confidence.

Underscoring the strength of the labor market is a flurry of economic development activity in the City. Developers of the Water Street District recently completed the Delco Lofts, an adaptive reuse project that transformed a former 6-story factory building into 129 market rate units overlooking the Dragons Baseball Stadium. A 115-room Fairfield Inn and Suites is scheduled to open in the district in late 2018. Children’s Medical Center’s \$140 million campus expansion has been completed, and CareSource, Ohio’s largest Medicaid managed care provider, is in the process of expanding its footprint downtown with construction of a new 7-story office building, scheduled for completion in 2019. In addition to activity in Northeast downtown, construction is underway on the Levitt Pavilion at Dave Hall Plaza; the first concerts are scheduled to take place there in the late summer of 2018.

The Dayton International Airport has weathered the departure of Southwest Airlines by continuing to develop its surrounding real estate. In addition to the 77,000 square foot maintenance hangar built by PSA airlines in 2016, Spectrum brands finished construction on its 570,000 square foot distribution center, adding about 325 jobs. The Dayton regional economy has added jobs at a steady pace, growing by 34,800 jobs or 9.7% since the depths of the Great Recession in December of 2009. Growth has accelerated across many sectors of the regional economy in the past year with the largest increases found in the sectors of Leisure/Hospitality, and Education/Health Services.

The City’s General Fund financial performance improved over the course of 2017, largely due to the passage of a 0.25% income tax increase passed by voters in November of 2016. On a budgetary basis, total 2017 General Fund Sources were up 7.5% or \$12.1 million over 2016, \$13.6 million of which was attributable to the income tax Increase. Baseline income tax revenues (omitting the impacts of the tax increase) increased \$3 million or 2.8% year over year, signaling more evidence of an improving job market. These increases were offset by reductions in charges for services as well as state support to local governments.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Given the better than planned performance of expenditures compared to budget, the \$1.7 million planned use of cash reserves was not necessary. On a budgetary basis, fund balance increased by \$6.0 million in 2017.

Employment and the Income Tax

The components of income tax shed light on the condition and direction of the local economy. Withholding collections in 2017, or taxes on wage-earners in the City, grew by \$12.6 million, or 13% over the prior year, reflecting the impact of the 0.25% income tax issue passed by voters in November, 2016. In fact, 2017 saw the fifth annual increase in withholdings since 2011. Despite this, taxes on business profits fell for the third consecutive year, dropping \$380,800, or 3.6%. Taken together, income tax collections, net of refunds, grew by \$13.6 million or 12.5% to \$122.4 million, the highest level on record.

The original forecast for 2018 Income Tax Revenues is \$123.5 million including the \$12.2 million projection for Issue 9. This represents a 1% increase over actual 2017 Income Tax Collections as 2017 collections came in above budget, driving the 2018 estimate lower than what was originally projected.

Property Values and the Property Tax

Although Dayton did not experience the significant appreciation in home values that many other areas saw during the housing boom, the City was not immune to the precipitous drop in values brought about by the subsequent housing bust. The 2017 triennial revaluation saw a slight 0.7% increase in values for properties in the City of Dayton, including a 0.4% increase in residential values. Since 2012, 0.5 mills of the property tax have been shifted from the General fund to the Bond Retirement Fund to help offset the loss of revenue due to declining property values. The modest increase in overall valuations as a result of the revaluation represents a reversal of the declining trend.

Property values remain 25% below their 2006 peak and are only slightly above their lowest level since 2000. According to the American Community Survey, the City of Dayton had 16,901 vacant properties in 2016 which is 37 below the 2015 count. Of these properties, about 7,000 are completely abandoned, leaving the City with substantial liabilities in the form of maintenance and mowing. As part of the Your Dollars, Your Neighborhood pledge associated with the passage of Issue 9, City staff service each vacant property in the City once per month during mowing season, for a total of 6 rounds. During 2017, crews visited over 6,000 vacant properties 6 times each for the purposes of mowing, brush removal and trash removal.

Housing stock quality and value is improving in various areas of the City, with the construction of hundreds of new units either underway or recently finished, largely in the downtown. The City has also continued an aggressive demolition strategy with regards to vacant and abandoned buildings with 302 total demolitions in 2017.

State Revenue Sharing and the Local Government Fund

When faced with an \$8 billion deficit in the state 2012-2013 biennial budget, the Governor and General Assembly chose to dramatically cut long-standing revenue-sharing programs with local governments. These reductions included eliminating reimbursements associated with the tangible personal property and public utility taxes for all current expense levies. This reduced City of Dayton General Fund revenues by \$1.6 million. The \$1.6 million distributed to the Bond Retirement remained intact until 2017 and 2018, when both will also be eliminated, which would have supported \$22 million in capital investments for the City.

In addition to the elimination of the tangible personal property tax, the legislature also removed the estate tax, slashed the local government fund by 50%, and eliminated the local share of the dealers in intangibles tax. These actions taken together reduced City revenues by more than \$10 million.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

As part of the current biennial budget, the municipal direct allocation was eliminated entirely (after having previously been cut by about 75%). The high water mark for total LGF receipts was \$15.9 million in 2001. The total receipts in 2017 were \$6.3 million.

Casino Tax Revenue

On November 3, 2009, Ohio voters passed Issue 3 that amended the Ohio constitution permitting four casinos in Cincinnati, Columbus, Cleveland and Toledo. The amendment provided for a 33% tax on gross casino revenues, 90% of which is to be distributed to county governments (51%), school districts (34%), and the host City (5%). If the most populated City located in a county had a population over 80,000, then that City (Dayton included) would receive 50% of the county distribution.

All four casinos were operational by the first quarter of 2013. Casino revenues for the City were \$3.2 million in 2014, which was the first full year of operation for all four casinos followed by \$3.1 million in 2015, 2016 and 2017, respectively. With video-lottery gambling at the seven racinos (horse-racing combined with gambling) the market appears saturated, which has resulted in flat revenues. Hence, the estimate for 2018 remains at \$3.1 million; this is recorded under the intergovernmental category.

Other Sources

Given reductions in reimbursements, the sunset of racino payments and less than inflationary growth in other revenues, it was necessary to balance the 2018 budget with a planned \$1.7 million use of the cash reserve.

Cost Containment and Workforce Reductions

After more than a decade of workforce reductions across the City organization, 2013 marked the first year for increased employment levels in the General Fund, albeit just a slight 1.7% increase. An additional 16 employees were added in 2014, but levels decreased to 1,199 and 1,198 for 2015 and 2016, respectively. The City pledged an increase in patrol staffing in its Issue 9 campaign, accordingly the average workforce increased to 1,222 or by 24 net new employees in 2017. Nevertheless, cost containment is still a reality for the City of Dayton organization. The City is continually evaluating methods for continuous improvement in service delivery, while achieving higher levels of efficiency, especially through the use of technology and capital investment.

Wage increases were very modest in 2013 and 2014, while converting to a self-insured health plan and investing in wellness initiatives have helped rein in costs. Labor contracts for the 2015 - 2017 contract period were executed with the City's four bargaining groups, resulting in a three-year wage package of 3%, 2% and 2%. Additionally, the contracts included several cost containment articles for health insurance. A similar wage package (3%, 2%, 2%) was negotiated with all bargaining groups for the 2018 -2020 contract period.

Next Year's Budget and Rates

The unencumbered general fund balance on a budgetary basis is expected to remain well above the minimum policy parameter level of 6 weeks of operating reserves.

Contacting the City's Financial Management

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

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**BASIC
FINANCIAL STATEMENTS**

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------------------------|------------------------------------|-------------------------------------|----------------|
| Assets: | | | |
| Equity in pooled cash and investments. | \$ 119,390,569 | \$ 207,441,794 | \$ 326,832,363 |
| Cash with fiscal and escrow agents. | 675 | - | 675 |
| Receivables: | | | |
| Property and other local taxes | 20,772,254 | - | 20,772,254 |
| Municipal income taxes. | 18,574,655 | - | 18,574,655 |
| Accounts. | 6,889,988 | 17,343,822 | 24,233,810 |
| Payments in lieu of taxes. | 1,619,320 | - | 1,619,320 |
| Special assessments | 8,696,175 | 1,561,748 | 10,257,923 |
| Accrued interest | 436,383 | 405,665 | 842,048 |
| Due from other governments. | 13,938,643 | 603,570 | 14,542,213 |
| Loans receivable. | 24,866,574 | 1,104,736 | 25,971,310 |
| Internal balance | 192,164 | (192,164) | - |
| Materials and supplies inventory. | 654,765 | 1,717,384 | 2,372,149 |
| Prepayments | 841,372 | 339,695 | 1,181,067 |
| Inventory held for resale. | 547,472 | - | 547,472 |
| Restricted assets: | | | |
| Equity in pooled cash and investments. | - | 1,165,420 | 1,165,420 |
| Investments with fiscal and escrow agents. | 2 | 8,722,591 | 8,722,593 |
| Net pension asset. | 169,913 | 128,931 | 298,844 |
| Capital assets: | | | |
| Land and construction in progress. | 74,324,654 | 61,477,283 | 135,801,937 |
| Depreciable capital assets, net. | 371,249,239 | 523,452,374 | 894,701,613 |
| Total capital assets, net. | 445,573,893 | 584,929,657 | 1,030,503,550 |
| Total assets | 663,164,817 | 825,272,849 | 1,488,437,666 |
| Deferred outflows of resources: | | | |
| Unamortized deferred charges on debt refunding | 1,164,675 | 1,491,685 | 2,656,360 |
| Pension. | 50,778,055 | 22,235,402 | 73,013,457 |
| Total deferred outflows of resources | 51,942,730 | 23,727,087 | 75,669,817 |

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION (continued)
DECEMBER 31, 2017

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------------|
| Liabilities: | | | |
| Accounts payable | \$ 1,747,309 | \$ 4,387,917 | \$ 6,135,226 |
| Contracts payable | 4,276,891 | 6,221,345 | 10,498,236 |
| Retainage payable | 1,043,664 | 2,050,315 | 3,093,979 |
| Accrued wages and benefits payable | 3,679,359 | 1,493,692 | 5,173,051 |
| Due to other governments | 3,768,392 | 1,140,377 | 4,908,769 |
| Accrued interest payable | 162,904 | 541,632 | 704,536 |
| Payable from restricted assets: | | | |
| Utility deposits | - | 150,104 | 150,104 |
| Long-term liabilities: | | | |
| Due within one year | 17,684,073 | 9,643,121 | 27,327,194 |
| Due in more than one year | 69,558,384 | 148,916,126 | 218,474,510 |
| Net pension liability | 203,843,784 | 59,468,029 | 263,311,813 |
| | 305,764,760 | 234,012,658 | 539,777,418 |
| Total liabilities | | | |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year | 14,338,478 | - | 14,338,478 |
| Pension | 3,791,935 | 1,500,328 | 5,292,263 |
| Payments in lieu of taxes levied for the next fiscal year | 1,619,320 | - | 1,619,320 |
| | 19,749,733 | 1,500,328 | 21,250,061 |
| Total deferred inflows of resources | | | |
| Net position: | | | |
| Net investment in capital assets | 398,432,088 | 481,494,371 | 879,926,459 |
| Restricted for: | | | |
| Permanent fund: | | | |
| Expendable | 81,249 | - | 81,249 |
| Nonexpendable | 102,228 | - | 102,228 |
| Capital projects | 3,078,898 | - | 3,078,898 |
| Debt service | 31,854,167 | 9,737,907 | 41,592,074 |
| Housing and urban development | 4,661,834 | - | 4,661,834 |
| Special projects | 3,499,570 | - | 3,499,570 |
| Street and highway projects | 2,966,399 | - | 2,966,399 |
| Unrestricted (deficit) | (55,083,379) | 122,254,672 | 67,171,293 |
| | 389,593,054 | 613,486,950 | 1,003,080,004 |
| Total net position | \$ 389,593,054 | \$ 613,486,950 | \$ 1,003,080,004 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------------------------|-----------------------|---------------------------------------|-------------------------------------------|-----------------------------------------|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| Downtown | \$ 3,204,951 | \$ 472,445 | \$ - | \$ - |
| Youth, education and human services. | 219,529 | 15,681 | - | - |
| Community development and neighborhoods. | 20,646,893 | 2,210,260 | 8,138,043 | - |
| Economic development | 26,135,222 | 2,821,264 | - | - |
| Leadership and quality of life | 43,843,557 | 5,968,710 | 6,059,480 | 12,766,815 |
| Corporate responsibility. | 18,800,773 | 2,558,164 | 157,652 | - |
| Public safety and justice. | 110,670,677 | 17,943,019 | - | - |
| Interest and fiscal charges. | 2,845,159 | - | - | - |
| Total governmental activities | <u>226,366,761</u> | <u>31,989,543</u> | <u>14,355,175</u> | <u>12,766,815</u> |
| Business-type activities: | | | | |
| Dayton International Airport. | 45,920,196 | 27,065,242 | - | 5,928,254 |
| Water. | 56,194,400 | 48,891,167 | - | 248,472 |
| Sewer. | 32,211,627 | 33,845,779 | - | - |
| Other business-type activities: | | | | |
| Storm Water. | 7,110,595 | 7,534,843 | - | - |
| Golf. | 3,114,227 | 2,746,574 | - | - |
| Total business-type activities | <u>144,551,045</u> | <u>120,083,605</u> | <u>-</u> | <u>6,176,726</u> |
| Total primary government | <u>\$ 370,917,806</u> | <u>\$ 152,073,148</u> | <u>\$ 14,355,175</u> | <u>\$ 18,943,541</u> |

General revenues:

Property taxes levied for:

 General purposes

 Debt service.

Income taxes levied for:

 General purposes

Payments in lieu of taxes

Grants and entitlements not restricted

 to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers.

Change in net position

Net position at beginning of year (restated). . .

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------------------------------|-------------------------------------|-------------------------|
| Governmental Activities | Business-type Activities | Total |
| \$ (2,732,506) | \$ - | \$ (2,732,506) |
| (203,848) | - | (203,848) |
| (10,298,590) | - | (10,298,590) |
| (23,313,958) | - | (23,313,958) |
| (19,048,552) | - | (19,048,552) |
| (16,084,957) | - | (16,084,957) |
| (92,727,658) | - | (92,727,658) |
| (2,845,159) | - | (2,845,159) |
| <u>(167,255,228)</u> | <u>-</u> | <u>(167,255,228)</u> |
| - | (12,926,700) | (12,926,700) |
| - | (7,054,761) | (7,054,761) |
| - | 1,634,152 | 1,634,152 |
| - | 424,248 | 424,248 |
| - | (367,653) | (367,653) |
| - | (18,290,714) | (18,290,714) |
| <u>(167,255,228)</u> | <u>(18,290,714)</u> | <u>(185,545,942)</u> |
| 4,710,421 | - | 4,710,421 |
| 5,039,539 | - | 5,039,539 |
| 125,253,442 | - | 125,253,442 |
| 1,997,895 | - | 1,997,895 |
| 13,618,351 | - | 13,618,351 |
| 2,118,284 | 1,552,267 | 3,670,551 |
| 4,334,317 | 13,148,319 | 17,482,636 |
| <u>157,072,249</u> | <u>14,700,586</u> | <u>171,772,835</u> |
| <u>(517,500)</u> | <u>517,500</u> | <u>-</u> |
| <u>156,554,749</u> | <u>15,218,086</u> | <u>171,772,835</u> |
| (10,700,479) | (3,072,628) | (13,773,107) |
| 400,293,533 | 616,559,578 | 1,016,853,111 |
| <u>\$ 389,593,054</u> | <u>\$ 613,486,950</u> | <u>\$ 1,003,080,004</u> |

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvement</u> |
|--------------------------------------------------------------------|----------------------|-------------------------|--------------------------------|
| Assets: | | | |
| Equity in pooled cash and investments. | \$ 49,587,694 | \$ 14,602,966 | \$ 18,997,760 |
| Investments with fiscal and escrow agents. | 675 | - | |
| Receivables: | | | |
| Property and other local taxes. | 8,596,520 | 12,175,734 | - |
| Municipal income taxes. | 18,574,655 | - | - |
| Accounts. | 6,648,346 | 37,500 | 40 |
| Payments in lieu of taxes. | - | - | 1,619,320 |
| Special assessments | 193,330 | 47,289 | - |
| Accrued interest | 385,559 | - | - |
| Due from other funds | 3,044 | - | - |
| Due from other governments. | 5,627,768 | 176,941 | 3,595,200 |
| Loans receivable. | 2,658,691 | 13,685,000 | 2,350,184 |
| Advances to other funds | 1,170,000 | 357,175 | - |
| Materials and supplies inventory. | - | - | - |
| Prepayments | 831,230 | - | 7,942 |
| Restricted assets: | | | |
| Cash with fiscal and escrow agents. | - | - | 2 |
| Total assets | <u>\$ 94,277,512</u> | <u>\$ 41,082,605</u> | <u>\$ 26,570,448</u> |
| Liabilities: | | | |
| Accounts payable. | \$ 1,163,952 | \$ - | \$ 179,011 |
| Contracts payable. | 1,580,496 | - | 2,134,502 |
| Accrued wages and benefits payable | 3,212,923 | - | 22,572 |
| Retainage payable | - | - | 977,441 |
| Compensated absences payable | 21,029 | - | - |
| Interfund loans payable. | - | - | - |
| Due to other funds | 42,257 | - | 2,153 |
| Due to other governments | 3,568,974 | - | 47,821 |
| Claimants payable | 3,155 | - | - |
| Total liabilities | <u>9,592,786</u> | <u>-</u> | <u>3,363,500</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year. | 5,695,360 | 8,643,118 | - |
| Delinquent property tax revenue not available. | 2,890,323 | 3,532,616 | - |
| Accrued interest not available | 213,990 | - | - |
| Special assessments revenue not available. | 193,330 | 47,289 | - |
| Miscellaneous revenue not available. | 3,695,390 | 18,750 | - |
| Income tax revenue not available | 6,394,223 | - | - |
| Intergovernmental revenue not available | 3,337,083 | 176,941 | 2,105,649 |
| Payments in lieu of taxes levied for the next fiscal year. | - | - | 1,503,988 |
| Delinquent payment in lieu of taxes revenue not available. | - | - | 115,332 |
| Total deferred inflows of resources | <u>22,419,699</u> | <u>12,418,714</u> | <u>3,724,969</u> |
| Fund balances: | | | |
| Nonspendable | 4,204,941 | - | - |
| Restricted. | - | 28,241,475 | 5,126,467 |
| Committed | 2,796,237 | 422,416 | 7,284,916 |
| Assigned | 22,539,046 | - | 7,070,596 |
| Unassigned. | 32,724,803 | - | - |
| Total fund balances. | <u>62,265,027</u> | <u>28,663,891</u> | <u>19,481,979</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 94,277,512</u> | <u>\$ 41,082,605</u> | <u>\$ 26,570,448</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------|-----------------------------------------|
| \$ 7,748,901 | \$ 90,937,321 |
| - | 675 |
| - | 20,772,254 |
| - | 18,574,655 |
| 199,838 | 6,885,724 |
| - | 1,619,320 |
| 8,455,556 | 8,696,175 |
| 2,489 | 388,048 |
| 1,920 | 4,964 |
| 4,518,295 | 13,918,204 |
| 6,172,699 | 24,866,574 |
| - | 1,527,175 |
| 654,765 | 654,765 |
| - | 839,172 |
| - | 2 |
| <u>\$ 27,754,463</u> | <u>\$ 189,685,028</u> |
| | |
| \$ 304,006 | \$ 1,646,969 |
| 542,633 | 4,257,631 |
| 317,015 | 3,552,510 |
| 66,223 | 1,043,664 |
| 13,596 | 34,625 |
| 1,170,000 | 1,170,000 |
| 3,380 | 47,790 |
| 99,857 | 3,716,652 |
| - | 3,155 |
| <u>2,516,710</u> | <u>15,472,996</u> |
| | |
| - | 14,338,478 |
| - | 6,422,939 |
| 1,382 | 215,372 |
| 8,455,556 | 8,696,175 |
| 176,515 | 3,890,655 |
| - | 6,394,223 |
| 2,378,524 | 7,998,197 |
| - | 1,503,988 |
| - | 115,332 |
| <u>11,011,977</u> | <u>49,575,359</u> |
| | |
| 756,993 | 4,961,934 |
| 13,468,783 | 46,836,725 |
| - | 10,503,569 |
| - | 29,609,642 |
| - | 32,724,803 |
| <u>14,225,776</u> | <u>124,636,673</u> |
| | |
| <u>\$ 27,754,463</u> | <u>\$ 189,685,028</u> |

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------------|
| Total governmental fund balances | | \$ 124,636,673 |
| <i>Amounts reported for governmental activities on the statement of net position are different than the net position because:</i> | | |
| 1. Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. | | 444,543,448 |
| 2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Property and other local taxes receivable | \$ 10,297,871 | |
| Municipal income taxes receivable | 6,394,223 | |
| Accounts receivable | 4,286,668 | |
| Special assessments receivable | 8,696,175 | |
| Accrued interest receivable | 215,372 | |
| Due from other governments | 3,727,252 | |
| Total | | 33,617,561 |
| 3. Internal service funds are used by management to charge the costs of fleet management fire fleet management, stores and reproduction, workers' compensation, health insurance and plumbing to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position. The net position of the internal service funds, excluding internal balances of \$172,787 are: | | 19,820,302 |
| 4. In the statement of net position interest is accrued on bonds, whereas in governmental funds, interest is accrued when due. | | (162,904) |
| 5. Unamortized deferred amounts on refundings are not recognized in the governmental funds. | | 1,164,675 |
| 6. Unamortized premiums on bond issuances are not recognized in the governmental funds. | | (5,320,227) |
| 7. The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds | | 156,962 |
| 8. The net pension liability is not due and payable in the current period; therefore, the liability and related deferred outflows and inflows are not reported in the governmental funds. | | (153,411,014) |
| 9. Long-term liabilities, including bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds (exclusive of internal service fund liabilities). | | |
| General obligation bonds | (35,125,000) | |
| Revenue bonds | (21,845,000) | |
| State Infrastructure Bank Loan | (2,472,769) | |
| State Infrastructure Bank Bonds | (3,315,000) | |
| Compensated absences | (9,499,832) | |
| OPWC loans | (1,015,767) | |
| ODOD Loan | (2,179,054) | |
| Total | | (75,452,422) |
| Net position of governmental activities | | \$ 389,593,054 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Improvement</u> |
|-----------------------------------------------------------------------|----------------------|-------------------------|--------------------------------|
| Revenues: | | | |
| Municipal income taxes | \$ 125,088,070 | \$ - | \$ - |
| Property and other taxes. | 5,412,384 | 6,290,806 | 321,800 |
| State shared taxes. | 7,158,155 | - | - |
| Charges for services. | 24,917,049 | - | 115,269 |
| Licenses and permits | 1,721,640 | - | 1,779 |
| Fines and forfeitures | 634,383 | - | - |
| Intergovernmental. | 4,249,033 | 2,422,628 | 13,681,081 |
| Special assessments | 169,124 | 33,417 | - |
| Investment income. | 2,415,871 | 27,503 | - |
| Payments in lieu of taxes. | - | - | 2,919,537 |
| Decrease in FMV of investments. | (484,013) | - | - |
| Other | 4,306,668 | 27,649 | 482,191 |
| Total revenues | <u>175,588,364</u> | <u>8,802,003</u> | <u>17,521,657</u> |
| Expenditures: | | | |
| Current: | | | |
| Downtown | 2,842,200 | - | - |
| Youth, education and human services. | 94,338 | - | - |
| Community development and neighborhoods. | 12,342,265 | - | 752,053 |
| Economic development | 12,878,364 | - | 3,697,797 |
| Leadership and quality of life | 24,661,870 | - | 1,899,415 |
| Corporate responsibility. | 15,069,560 | 113,292 | 507,927 |
| Public safety and justice. | 98,263,928 | - | - |
| Capital outlay | - | - | 30,601,707 |
| Debt service: | | | |
| Principal retirement. | - | 7,033,560 | 389,184 |
| Interest and fiscal charges | - | 3,057,872 | 14,814 |
| Total expenditures | <u>166,152,525</u> | <u>10,204,724</u> | <u>37,862,897</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>9,435,839</u> | <u>(1,402,721)</u> | <u>(20,341,240)</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 1,190,862 | 8,070,601 |
| Transfers (out). | (10,099,475) | - | - |
| Total other financing sources (uses) | <u>(10,099,475)</u> | <u>1,190,862</u> | <u>8,070,601</u> |
| Net change in fund balances | (663,636) | (211,859) | (12,270,639) |
| Fund balances at beginning of year. | <u>62,928,663</u> | <u>28,875,750</u> | <u>31,752,618</u> |
| Fund balances at end of year | <u>\$ 62,265,027</u> | <u>\$ 28,663,891</u> | <u>\$ 19,481,979</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------|-----------------------------------------|
| \$ - | \$ 125,088,070 |
| - | 12,024,990 |
| 5,577,504 | 12,735,659 |
| 1,397,516 | 26,429,834 |
| 58,414 | 1,781,833 |
| 265,889 | 900,272 |
| 10,104,063 | 30,456,805 |
| 2,768,644 | 2,971,185 |
| 8,513 | 2,451,887 |
| - | 2,919,537 |
| (2,294) | (486,307) |
| 2,069,261 | 6,885,769 |
| <u>22,247,510</u> | <u>224,159,534</u> |
| - | 2,842,200 |
| - | 94,338 |
| 7,909,115 | 21,003,433 |
| 1,408,637 | 17,984,798 |
| 9,698,050 | 36,259,335 |
| 148,122 | 15,838,901 |
| 3,295,362 | 101,559,290 |
| 66,223 | 30,667,930 |
| - | 7,422,744 |
| - | 3,072,686 |
| <u>22,525,509</u> | <u>236,745,655</u> |
| <u>(277,999)</u> | <u>(12,586,121)</u> |
| 438,074 | 9,699,537 |
| - | (10,099,475) |
| <u>438,074</u> | <u>(399,938)</u> |
| 160,075 | (12,986,059) |
| 14,065,701 | 137,622,732 |
| <u>\$ 14,225,776</u> | <u>\$ 124,636,673</u> |

**CITY OF DAYTON, OHIO
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------------|
| Net change in fund balances - total governmental funds | | \$ (12,986,059) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| 1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$31,630,721) exceeded depreciation expense (\$14,884,908) in the current period (exclusive of internal service fund activity). | | 16,745,813 |
| 2. The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position. | | (43,646) |
| 3. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Municipal income taxes | \$ 165,372 | |
| Property and other local taxes | (2,186,178) | |
| Payments in lieu of taxes | (921,642) | |
| Charges for services | 990,751 | |
| Intergovernmental | (2,547,045) | |
| Special assessments | (3,635,784) | |
| Investment income | 48,869 | |
| Total | (8,085,657) | (8,085,657) |
| 4. Repayments of bond, loan and capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net position. | | |
| Bond principal payments | 6,965,000 | |
| Loan principal payments | 457,744 | |
| Total | 7,422,744 | 7,422,744 |
| 5. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following: | | |
| Decrease in accrued interest payable | 18,517 | |
| Amortization of bond premiums and discounts | 392,269 | |
| Amortization of deferred charges on refundings | (183,260) | |
| Total | 227,526 | 227,526 |
| 6. Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | (432,213) |
| 7. Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows | | 15,005,571 |
| 8. Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | (29,969,627) |
| 9. Internal service funds used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, workers' compensation, health insurance, 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 of the internal service funds, including internal balances of \$923,880, is allocated among governmental activities. | | 1,415,069 |
| Change in net position of governmental activities | | \$ (10,700,479) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON
MONTGOMERY COUNTY, 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, 2017

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------------------------|-------------------------|----------------------|----------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Municipal income taxes | \$ 122,291,100 | \$ 122,291,100 | \$ 122,370,400 | \$ 79,300 |
| Property and other taxes | 6,002,200 | 6,002,200 | 6,058,502 | 56,302 |
| State shared taxes | 7,096,900 | 7,096,900 | 6,527,388 | (569,512) |
| Charges for services | 27,297,800 | 27,297,800 | 25,273,233 | (2,024,567) |
| Licenses and permits | 1,829,100 | 1,829,100 | 1,721,640 | (107,460) |
| Fines and forfeitures | 706,600 | 990,200 | 654,733 | (335,467) |
| Intergovernmental | 3,922,300 | 3,922,300 | 4,197,188 | 274,888 |
| Special assessments | 550,000 | 550,000 | 169,124 | (380,876) |
| Investment income | 2,475,200 | 2,475,200 | 2,357,894 | (117,306) |
| Other | 2,935,100 | 3,774,600 | 4,492,321 | 717,721 |
| Total revenues | <u>175,106,300</u> | <u>176,229,400</u> | <u>173,822,423</u> | <u>(2,406,977)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Downtown | 2,967,100 | 3,217,300 | 2,937,264 | 280,036 |
| Youth, education and human services | 57,400 | 57,400 | 89,422 | (32,022) |
| Community development and neighborhoods | 13,531,200 | 13,341,100 | 13,033,406 | 307,694 |
| Economic development | 8,686,800 | 7,877,800 | 7,432,473 | 445,327 |
| Leadership and quality of life | 24,467,700 | 23,980,500 | 23,188,604 | 791,896 |
| Corporate responsibility | 16,382,200 | 15,636,800 | 15,508,638 | 128,162 |
| Public safety and justice | 99,750,900 | 99,847,100 | 97,752,192 | 2,094,908 |
| Other | 6,519,200 | 5,901,800 | 5,333,803 | 567,997 |
| Debt service: | | | | |
| Principal retirement | 72,600 | 72,600 | 74,682 | (2,082) |
| Interest and fiscal charges | 4,400 | 4,400 | 2,240 | 2,160 |
| Total expenditures | <u>172,439,500</u> | <u>169,936,800</u> | <u>165,352,724</u> | <u>4,584,076</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,666,800</u> | <u>6,292,600</u> | <u>8,469,699</u> | <u>2,177,099</u> |
| Other financing uses: | | | | |
| Transfers (out) | <u>(7,190,800)</u> | <u>(10,172,100)</u> | <u>(10,099,474)</u> | <u>72,626</u> |
| Total other financing uses | <u>(7,190,800)</u> | <u>(10,172,100)</u> | <u>(10,099,474)</u> | <u>72,626</u> |
| Net change in fund balances | (4,524,000) | (3,879,500) | (1,629,775) | 2,249,725 |
| Fund balance at beginning of year | 59,049,610 | 59,049,610 | 59,049,610 | - |
| Prior year encumbrances appropriated | 7,662,551 | 7,662,551 | 7,662,551 | - |
| Fund balance at end of year | <u>\$ 62,188,161</u> | <u>\$ 62,832,661</u> | <u>\$ 65,082,386</u> | <u>\$ 2,249,725</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

| | Business-type Activities - Enterprise Funds | | | |
|------------------------------------------------------------------|----------------------------------------------------|--------------------|--------------------|------------------------------------------|
| | Dayton International Airport | Water | Sewer | Nonmajor Enterprise Funds |
| Assets: | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments. | \$ 73,807,799 | \$ 70,335,594 | \$ 48,269,292 | \$ 15,029,109 |
| Receivables: | | | | |
| Accounts. | 4,261,995 | 6,519,534 | 5,054,674 | 1,507,619 |
| Special assessments | - | 531,401 | 407,504 | 622,843 |
| Accrued interest | 114,174 | 157,719 | 99,166 | 34,606 |
| Due from other funds | - | 4,222,221 | - | - |
| Due from other governments. | 532,049 | 71,521 | - | - |
| Loans receivable. | - | 1,104,736 | - | - |
| Materials and supplies inventory. | 41,631 | 1,675,753 | - | - |
| Inventory held for resale. | - | - | - | - |
| Prepayments | 45,532 | 294,163 | - | - |
| Total current assets | 78,803,180 | 84,912,642 | 53,830,636 | 17,194,177 |
| Noncurrent assets: | | | | |
| Net pension asset. | 27,943 | 59,717 | 29,149 | 12,122 |
| Capital assets: | | | | |
| Land and construction in progress. | 40,694,170 | 12,234,227 | 6,623,616 | 1,925,270 |
| Depreciable capital assets, net. | 254,752,535 | 143,795,064 | 107,892,693 | 17,012,082 |
| Total capital assets, net. | 295,446,705 | 156,029,291 | 114,516,309 | 18,937,352 |
| Restricted assets: | | | | |
| Equity in pooled cash and investments | 1,015,316 | 150,104 | - | - |
| Investments with fiscal and escrow agents | 6,515,418 | 1,079,349 | 1,127,824 | - |
| Total restricted assets. | 7,530,734 | 1,229,453 | 1,127,824 | - |
| Total noncurrent assets | 303,005,382 | 157,318,461 | 115,673,282 | 18,949,474 |
| Total assets | 381,808,562 | 242,231,103 | 169,503,918 | 36,143,651 |
| Deferred outflows of resources: | | | | |
| Unamortized deferred charges on debt refunding | 1,491,685 | - | - | - |
| Pension. | 5,491,570 | 9,900,453 | 4,833,560 | 2,009,819 |
| Total deferred outflows of resources | 6,983,255 | 9,900,453 | 4,833,560 | 2,009,819 |
| Total assets and deferred outflows of resources | 388,791,817 | 252,131,556 | 174,337,478 | 38,153,470 |

| Business-type Activities Enterprise Funds Total | | Governmental Activities - Internal Service Funds | |
|------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------|-------------------|
| \$ | 207,441,794 | \$ | 28,453,248 |
| | 17,343,822 | | 4,264 |
| | 1,561,748 | | - |
| | 405,665 | | 48,335 |
| | 4,222,221 | | 51,759 |
| | 603,570 | | 20,439 |
| | 1,104,736 | | - |
| | 1,717,384 | | - |
| | - | | 547,472 |
| | 339,695 | | 2,200 |
| | <u>234,740,635</u> | | <u>29,127,717</u> |
| | 128,931 | | 12,951 |
| | 61,477,283 | | 75,000 |
| | 523,452,374 | | 955,445 |
| | <u>584,929,657</u> | | <u>1,030,445</u> |
| | 1,165,420 | | - |
| | 8,722,591 | | - |
| | <u>9,888,011</u> | | <u>-</u> |
| | 594,946,599 | | 1,043,396 |
| | <u>829,687,234</u> | | <u>30,171,113</u> |
| | 1,491,685 | | - |
| | 22,235,402 | | 2,189,752 |
| | <u>23,727,087</u> | | <u>2,189,752</u> |
| | <u>853,414,321</u> | | <u>32,360,865</u> |

- - Continued

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
DECEMBER 31, 2017

| | Business-type Activities - Enterprise Funds | | | Nonmajor Enterprise Funds |
|----------------------------------------------------------------------|----------------------------------------------------|-----------------------|-----------------------|------------------------------------------|
| | Dayton International Airport | Water | Sewer | |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 419,338 | 2,826,484 | 1,094,027 | 48,068 |
| Contracts payable | 3,370,723 | 1,789,042 | 1,048,514 | 13,066 |
| Retainage payable | 860,246 | 629,485 | 519,637 | 40,947 |
| Accrued wages and benefits payable | 413,004 | 656,965 | 302,055 | 121,668 |
| Due to other funds | 1,268 | 4,623 | 3,488,811 | 735,295 |
| Due to other governments | 688,654 | 176,878 | 263,573 | 11,272 |
| Accrued interest payable | 291,299 | 93,916 | 156,417 | - |
| Compensated absences payable - current | 551,651 | 1,103,067 | 499,550 | 233,453 |
| Advances from other funds | - | - | - | 357,175 |
| General obligation bonds payable | 600,000 | 1,015,000 | 745,000 | - |
| Revenue bonds payable | 2,550,000 | 585,000 | 610,000 | - |
| OWDA loans payable | - | - | 897,134 | - |
| OPWC loans payable | - | - | 50,000 | - |
| Other loans payable | 203,266 | - | - | - |
| Claims and judgments payable | - | - | - | - |
| Payable from restricted assets: | | | | |
| Utility deposits | - | 150,104 | - | - |
| Total current liabilities | 9,949,449 | 9,030,564 | 9,674,718 | 1,560,944 |
| Long-term liabilities: | | | | |
| Compensated absences payable | 311,500 | 622,868 | 282,081 | 131,824 |
| General obligation bonds payable | 8,182,191 | 15,640,000 | 10,515,000 | - |
| Revenue bonds payable | 75,651,463 | 13,957,333 | 14,587,536 | - |
| OWDA loans payable | - | - | 4,270,588 | - |
| OPWC loans payable | - | - | 100,000 | - |
| Other loans payable | 4,663,742 | - | - | - |
| Net pension liability | 16,817,296 | 25,220,536 | 12,310,631 | 5,119,566 |
| Claims and judgments payable | - | - | - | - |
| Total long-term liabilities | 105,626,192 | 55,440,737 | 42,065,836 | 5,251,390 |
| Total liabilities | 115,575,641 | 64,471,301 | 51,740,554 | 6,812,334 |
| Deferred inflows of resources: | | | | |
| Pension | 809,684 | 292,683 | 321,284 | 76,677 |
| Total deferred inflows of resources | 809,684 | 292,683 | 321,284 | 76,677 |
| Total liabilities and deferred inflows of resources | 116,385,325 | 64,763,984 | 52,061,838 | 6,889,011 |
| Net position: | | | | |
| Net investment in capital assets | 231,101,004 | 134,810,767 | 96,699,261 | 18,883,339 |
| Restricted for debt service | 7,530,734 | 1,079,349 | 1,127,824 | - |
| Unrestricted | 33,774,754 | 51,477,456 | 24,448,555 | 12,381,120 |
| Total net position | \$ 272,406,492 | \$ 187,367,572 | \$ 122,275,640 | \$ 31,264,459 |

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

Net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Business-type Activities Enterprise Funds Total | Governmental Activities - Internal Service Funds |
|------------------------------------------------------------------------|---------------------------------------------------------------------|
| 4,387,917 | 100,340 |
| 6,221,345 | 19,260 |
| 2,050,315 | - |
| 1,493,692 | 126,849 |
| 4,229,997 | 1,157 |
| 1,140,377 | 51,740 |
| 541,632 | - |
| 2,387,721 | 232,043 |
| 357,175 | - |
| 2,360,000 | - |
| 3,745,000 | - |
| 897,134 | - |
| 50,000 | - |
| 203,266 | - |
| - | 3,742,067 |
| 150,104 | - |
| <u>30,215,675</u> | <u>4,273,456</u> |
| 1,348,273 | 131,026 |
| 34,337,191 | - |
| 104,196,332 | - |
| 4,270,588 | - |
| 100,000 | - |
| 4,663,742 | - |
| 59,468,029 | 5,470,043 |
| - | 2,326,892 |
| <u>208,384,155</u> | <u>7,927,961</u> |
| <u>238,599,830</u> | <u>12,201,417</u> |
| <u>1,500,328</u> | <u>166,359</u> |
| <u>1,500,328</u> | <u>166,359</u> |
| <u>240,100,158</u> | <u>12,367,776</u> |
| 481,494,371 | 1,030,445 |
| 9,737,907 | - |
| <u>122,081,885</u> | <u>18,962,644</u> |
| 613,314,163 | <u>\$ 19,993,089</u> |
| <u>172,787</u> | |
| <u>\$ 613,486,950</u> | |

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Business-type Activities - Enterprise Funds | | | Nonmajor Enterprise Funds |
|------------------------------------------------------------|----------------------------------------------------|-----------------------|-----------------------|------------------------------------------|
| | Dayton International Airport | Water | Sewer | |
| Operating revenues: | | | | |
| Charges for services | \$ 27,065,242 | \$ 48,891,167 | \$ 33,845,779 | \$ 10,281,417 |
| Other operating revenues | 7,998,340 | 4,481,917 | 611,264 | 56,798 |
| Total operating revenues. | <u>35,063,582</u> | <u>53,373,084</u> | <u>34,457,043</u> | <u>10,338,215</u> |
| Operating expenses: | | | | |
| Personal services | 9,254,880 | 16,113,566 | 7,881,986 | 3,274,257 |
| Fringe benefits. | 5,473,255 | 9,857,197 | 4,672,616 | 2,000,917 |
| Contract services. | 10,021,122 | 8,274,149 | 7,876,762 | 2,031,447 |
| Materials and supplies. | 1,065,376 | 4,885,951 | 2,249,167 | 286,530 |
| Cost of sales. | - | - | - | - |
| Utilities | 1,656,597 | 5,036,094 | 2,333,399 | 165,155 |
| Claims expense | - | - | - | - |
| Depreciation. | 13,450,171 | 7,261,946 | 4,949,494 | 1,726,888 |
| Other | 2,574,855 | 3,146,644 | 897,106 | 631,001 |
| Total operating expenses. | <u>43,496,256</u> | <u>54,575,547</u> | <u>30,860,530</u> | <u>10,116,195</u> |
| Operating income (loss) | <u>(8,432,674)</u> | <u>(1,202,463)</u> | <u>3,596,513</u> | <u>222,020</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest and fiscal charges | (3,457,821) | (1,141,063) | (1,126,911) | (27,503) |
| Gain (loss) on sale of capital assets. | 1,283,354 | (71,810) | (36,883) | - |
| Interest income. | 747,926 | 724,488 | 436,528 | 129,406 |
| Decrease in fair market value of investments. | (135,492) | (207,656) | (92,443) | (50,490) |
| Total nonoperating revenues (expenses). | <u>(1,562,033)</u> | <u>(696,041)</u> | <u>(819,709)</u> | <u>51,413</u> |
| Income (loss) before contributions and transfers | (9,994,707) | (1,898,504) | 2,776,804 | 273,433 |
| Transfer in | - | - | - | 517,500 |
| Transfer out | - | - | - | - |
| Capital contributions. | 5,928,254 | 248,472 | - | - |
| Change in net position | (4,066,453) | (1,650,032) | 2,776,804 | 790,933 |
| Net position at beginning of year (restated). | <u>276,472,945</u> | <u>189,017,604</u> | <u>119,498,836</u> | <u>30,473,526</u> |
| Net position at end of year | <u>\$ 272,406,492</u> | <u>\$ 187,367,572</u> | <u>\$ 122,275,640</u> | <u>\$ 31,264,459</u> |

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

Change in net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Business-type Activities Enterprise Funds Total | Governmental Activities - Internal Service Funds |
|------------------------------------------------------------------------|---------------------------------------------------------------------|
| \$ 120,083,605 | \$ 38,319,992 |
| 13,148,319 | 407,935 |
| <u>133,231,924</u> | <u>38,727,927</u> |
| 36,524,689 | 3,707,709 |
| 22,003,985 | 2,115,379 |
| 28,203,480 | 1,490,202 |
| 8,487,024 | 247,208 |
| - | 4,152,215 |
| 9,191,245 | 22,104 |
| - | 26,321,707 |
| 27,388,499 | 44,852 |
| 7,249,606 | 127,706 |
| <u>139,048,528</u> | <u>38,229,082</u> |
| <u>(5,816,604)</u> | <u>498,845</u> |
| (5,753,298) | - |
| 1,174,661 | - |
| 2,038,348 | 181,143 |
| (486,081) | (71,237) |
| <u>(3,026,370)</u> | <u>109,906</u> |
| (8,842,974) | 608,751 |
| 517,500 | - |
| - | (117,562) |
| <u>6,176,726</u> | <u>-</u> |
| (2,148,748) | 491,189 |
| | <u>19,501,900</u> |
| | <u>\$ 19,993,089</u> |
| <u>(923,880)</u> | |
| <u>\$ (3,072,628)</u> | |

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Business-type Activities - Enterprise Funds | | | |
|-------------------------------------------------------------------------|----------------------------------------------------|----------------------|----------------------|------------------------------------------|
| | Dayton International Airport | Water | Sewer | Nonmajor Enterprise Funds |
| Cash flows from operating activities: | | | | |
| Cash received from customers. | \$ 25,558,182 | \$ 48,719,299 | \$ 33,515,677 | \$ 10,374,196 |
| Cash received from interfund services provided. | - | - | - | - |
| Cash received from other operations | 7,919,570 | 4,408,436 | 611,264 | 56,798 |
| Cash payments for personal services. | (9,291,881) | (16,008,977) | (7,838,307) | (3,267,478) |
| Cash payments for fringe benefits. | (3,778,427) | (6,459,523) | (3,065,618) | (1,329,665) |
| Cash payments for contractual services | (9,569,998) | (8,039,103) | (7,018,717) | (1,911,603) |
| Cash payments for materials and supplies | (1,256,195) | (4,879,582) | (2,165,520) | (419,366) |
| Cash payments for cost of goods sold. | - | - | - | - |
| Cash payments for utilities. | (1,705,201) | (4,867,044) | (2,228,730) | (167,859) |
| Cash payments for claims | - | - | - | - |
| Cash payments for other expenses | (2,527,276) | (3,124,738) | (864,132) | (621,405) |
| Net cash provided by operating activities. | <u>5,348,774</u> | <u>9,748,768</u> | <u>10,945,917</u> | <u>2,713,618</u> |
| Cash flows from noncapital financing activities: | | | | |
| Cash received from loans to external party. | - | 262,489 | - | - |
| Cash payments for loans to external party. | - | (234,992) | - | - |
| Cash received from transfers in | - | - | - | 517,500 |
| Cash used in transfers out | - | - | - | - |
| Cash received from interfund loans | - | - | - | - |
| Interest paid on interfund loans. | - | - | - | (27,503) |
| Cash used in repayment of interfund loans. | - | - | - | (254,003) |
| Net cash provided by (used in) noncapital financing activities. | <u>-</u> | <u>27,497</u> | <u>-</u> | <u>235,994</u> |
| Cash flows from capital and related financing activities: | | | | |
| Capital contributions. | 6,240,548 | 248,472 | - | - |
| Cash received from the sale of capital assets. | 1,313,628 | - | - | - |
| Acquisition of capital assets | (18,497,918) | (15,937,709) | (13,368,619) | (1,903,881) |
| Principal paid on loans. | (132,992) | - | (913,616) | - |
| Interest paid on loans. | (78,297) | - | (174,525) | - |
| Principal paid on bonds. | (3,055,000) | (1,545,000) | (1,305,000) | - |
| Interest paid on bonds. | (3,441,491) | (1,177,157) | (996,730) | - |
| Net cash used in capital and related financing activities. | <u>(17,651,522)</u> | <u>(18,411,394)</u> | <u>(16,758,490)</u> | <u>(1,903,881)</u> |
| Cash flows from investing activities: | | | | |
| Interest received and fair market value adjustment | 588,913 | 444,437 | 307,814 | 66,563 |
| Net cash provided by investing activities | <u>588,913</u> | <u>444,437</u> | <u>307,814</u> | <u>66,563</u> |
| Net increase (decrease) in cash and investments. | (11,713,835) | (8,190,692) | (5,504,759) | 1,112,294 |
| Cash and investments at beginning of year. | <u>93,052,368</u> | <u>79,755,739</u> | <u>54,901,875</u> | <u>13,916,815</u> |
| Cash and investments at end of year. | <u>\$ 81,338,533</u> | <u>\$ 71,565,047</u> | <u>\$ 49,397,116</u> | <u>\$ 15,029,109</u> |

| Business-type Activities Enterprise Funds Total | | Governmental Activities - Internal Service Funds | |
|------------------------------------------------------------------------|---------------------------|---------------------------------------------------------------------|--------------------------|
| \$ | 118,167,354 | \$ | - |
| | - | | 38,526,398 |
| | 12,996,068 | | 407,935 |
| | (36,406,643) | | (3,639,556) |
| | (14,633,233) | | (1,391,151) |
| | (26,539,421) | | (1,379,966) |
| | (8,720,663) | | (245,146) |
| | - | | (4,263,745) |
| | (8,968,834) | | (20,694) |
| | - | | (26,203,224) |
| | (7,137,551) | | (114,994) |
| | <u>28,757,077</u> | | <u>1,675,857</u> |
| | 262,489 | | - |
| | (234,992) | | - |
| | 517,500 | | - |
| | - | | (117,562) |
| | - | | 74,682 |
| | (27,503) | | - |
| | (254,003) | | - |
| | <u>263,491</u> | | <u>(42,880)</u> |
| | 6,489,020 | | - |
| | 1,313,628 | | - |
| | (49,708,127) | | (246,624) |
| | (1,046,608) | | - |
| | (252,822) | | - |
| | (5,905,000) | | - |
| | (5,615,378) | | - |
| | <u>(54,725,287)</u> | | <u>(246,624)</u> |
| | <u>1,407,727</u> | | <u>92,257</u> |
| | <u>1,407,727</u> | | <u>92,257</u> |
| | (24,296,992) | | 1,478,610 |
| | 241,626,797 | | 26,974,638 |
| \$ | <u><u>217,329,805</u></u> | \$ | <u><u>28,453,248</u></u> |

-- Continued

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Business-type Activities - Enterprise Funds | | | |
|------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------|----------------------|------------------------------------------|
| | Dayton International Airport | Water | Sewer | Nonmajor Enterprise Funds |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (8,432,674) | \$ (1,202,463) | \$ 3,596,513 | \$ 222,020 |
| Adjustments: | | | | |
| Depreciation. | 13,450,171 | 7,261,946 | 4,949,494 | 1,726,888 |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable. | (1,650,676) | 31,567 | (198,726) | 66,725 |
| Increase in net pension asset. | (3,150) | (10,567) | (4,240) | (2,052) |
| Increase in deferred outflows - pension. | (364,997) | (2,255,819) | (959,264) | (443,627) |
| Decrease (increase) in due from other funds. | - | (516,241) | 175,345 | - |
| Decrease in due from other governments. | 64,846 | 18,678 | - | - |
| Decrease in prepayments. | 81,557 | 492,139 | 67,183 | 4,169 |
| Decrease (increase) in special assessments receivable. | - | 66,502 | (131,376) | 26,054 |
| Increase in materials and supplies inventory. | (8,228) | (93,396) | - | - |
| Decrease in loans receivable. | - | 150,000 | - | - |
| Increase in inventory held for resale. | - | - | - | - |
| Increase (decrease) in accounts payable. | (350,618) | 751,183 | 408,190 | (155,597) |
| Increase (decrease) in contracts payable | 817,374 | (845,022) | (369,726) | (10,751) |
| Increase (decrease) in retainage payable | (122,403) | 167,676 | 160,827 | 19,322 |
| Increase in accrued wages and benefits. | 55,603 | 86,603 | 37,151 | 7,946 |
| Increase (decrease) in due to other funds. | (176,120) | (53,941) | 374,665 | 120,067 |
| Increase in net pension liability. | 1,532,064 | 5,764,075 | 2,450,108 | 1,133,427 |
| Increase (decrease) in deferred inflows - pension. | 526,792 | (116,706) | 113,805 | (7,197) |
| Increase (decrease) in due to other governments. | 17,718 | 13,732 | 262,851 | 7,924 |
| Increase (decrease) in compensated absences payable. | (88,485) | 34,677 | 13,117 | (1,700) |
| Increase in utility deposits. | - | 4,145 | - | - |
| Increase in claims payable. | - | - | - | - |
| Net cash provided by operating activities | <u>\$ 5,348,774</u> | <u>\$ 9,748,768</u> | <u>\$ 10,945,917</u> | <u>\$ 2,713,618</u> |

Non-cash transactions:

During 2017, the Dayton International Airport received \$1,266,528 in capital grants, which were recognized as receivables in 2016. Receivables in the amount of \$954,234 have been recorded for capital grants in 2017 for the Dayton International Airport.

At December 31, 2017, the Water, Sewer, Dayton International Airport and Storm Water enterprise funds purchased \$3,224,500, \$1,710,695, \$3,014,608 and \$50,676, respectively, in capital assets on account. At December 31, 2016, the Water, Sewer, Dayton International Airport and Storm Water enterprise funds purchased \$2,610,135, \$666,058, \$2,877,608 and \$54,530, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Business-type Activities Enterprise Funds Total | Governmental Activities - Internal Service Funds |
|------------------------------------------------------------------------|---------------------------------------------------------------------|
| \$ (5,816,604) | \$ 498,845 |
| 27,388,499 | 44,852 |
| (1,751,110) | (4,264) |
| (20,009) | (1,984) |
| (4,023,707) | (484,040) |
| (340,896) | 189,232 |
| 83,524 | 21,682 |
| 645,048 | 127,878 |
| (38,820) | - |
| (101,624) | - |
| 150,000 | - |
| - | (39,925) |
| 653,158 | (90,381) |
| (408,125) | 17,422 |
| 225,422 | - |
| 187,303 | 15,330 |
| 264,671 | (348) |
| 10,879,674 | 1,128,815 |
| 516,694 | 75,013 |
| 302,225 | (21,851) |
| (42,391) | 59,247 |
| 4,145 | - |
| - | 140,334 |
| <u>\$ 28,757,077</u> | <u>\$ 1,675,857</u> |

**CITY OF DAYTON
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2017

| | Agency |
|---------------------------------------------------------|---------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 6,524,454 |
| Investments with fiscal agent | 1,057,191 |
| Cash and cash equivalents with fiscal agent | 983,487 |
| Receivables: | |
| Accounts | 201,436 |
| Special assessments. | 11,492,257 |
| Intergovernmental. | 121,626 |
| Total assets | \$ 20,380,451 |
| Liabilities: | |
| Accounts payable | \$ 320,043 |
| Intergovernmental payable. | 1,946,389 |
| Due to others. | 14,626,236 |
| Withholdings and deposits. | 3,487,783 |
| Total liabilities. | \$ 20,380,451 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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 generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental financial accounting principles.

A. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City does not have any component units.

The City is associated with the following ten jointly governed organizations:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 \$65,102 for the operation of the Commission during 2017. Financial information can be obtained from Brian O. Martin, Executive Director, at 10 N. Ludlow Street Suite 700, 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 \$33,966 for the operation of the Alliance during 2017. Financial information can be obtained from Franklin E. Clay, Executive Director, at 444 W. Third Street, Sinclair Building 20, Room 231, Dayton, Ohio 45402.

Miami Township-Dayton Joint Economic Development District - In an effort to promote regional growth and economic development, the City has entered into a contract with Miami Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Miami Township in July, 2005. In accordance with State law, the Districts Board of Trustees levied a 1.75% income tax effective January 1, 2008. The proceeds of that tax are allocated, in accordance with the contract, primarily to the Township. In consideration for its receipt of a share of the District's income taxes, the City will receive 50% of the property tax revenue from parcels located within the District. The Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement near the Dayton-Wright Brothers Airport. The City received \$119,576 in revenues through the JEDD in 2017.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

Butler Township-Dayton Joint Economic Development District - In an effort to promote regional growth and economic development, the City has entered into a contract with Butler Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Butler Township in July, 2006. In accordance with State Law, the District's Board of Trustees levied a 1.75% income tax effective in 2008. The proceeds of that tax are allocated, in accordance with the contract, to the Township. In consideration for its receipt of a share of the District's income taxes, the City will receive 50% of the property tax revenue from parcels located within the District. The District will utilize these JEDD revenues to facilitate economic development to create or preserve jobs and employment opportunities and to improve economic welfare. The City received \$8,130 in revenues through the JEDD in 2017.

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, townships, 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 2017. Financial information can be obtained from Michael Norton-Smith, Community and Economic Development Specialist, Montgomery County, 451 W. Third Street, 10th Floor, Dayton, OH 45422, 937-224-3850, e-mail: smithmn@mcOhio.org

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 2017. Financial information can be obtained from Tom Kelley, Executive Director, at 451 West Third Street, P.O. Box 972, Dayton, Ohio 45422-3100.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

The Board established hazardous materials incident response guidelines to provide for response procedures in the event of an incident. In the event of a hazardous material incident within any local government that is a member of this organization, the other members will respond to render assistance. The funding for the operation of the response team is through contributions from each entity. In addition, the persons or company responsible for any hazardous materials emergency is required by State law to reimburse the team any costs associated with clean up. There is no explicit and measurable equity interest in HAZMAT. During 2017, the City contributed \$20,314 to HAZMAT. Financial information can be obtained from Danny Bristow, Coordinator, at 444 West Third Street, Suite 20-231, Dayton, Ohio 45402.

Montgomery County Office of Emergency Management - The Montgomery County Office of Emergency Management (MCOEM) is a jointly governed organization between various political subdivisions in the Miami Valley Region. The MCOEM is responsible for developing plans and programs that prepare the region to effectively prevent, respond to, and recover from catastrophic disasters.

The funding for the operation of the MCOEM is through contributions from each participating entity. Payments to the MCOEM are made from the general fund. The City contributed \$28,305 for the operation of the MCOEM during 2017. Financial information can be obtained from Jeff Jordan, Executive Director, 117 South Main Street, Suite 721, Dayton, Ohio 45422.

Montgomery County Regional Radio Council - The Montgomery County Regional Radio Council (the Council) is a Council of Governments that has representatives from political jurisdictions in Montgomery County, local colleges and universities and other entities that use the radio system. The Council was established to provide oversight and direction for the county-wide 800 MHz P25 public safety communications system. The Council is responsible for recommending the operating, maintenance and capital replacement budgets, approve fees and/or fee structures, monitoring the contract with the State of Ohio's Multi-Agency Radio Communication System (MARCS) and recommending operational policies and procedures. The Montgomery County Sheriff has the responsibility of daily operations.

The funding for the operation of the Council is through user fees from each participating entity. Payments to the Agency are made from the general fund. The City did not contribute to the operations of the Council during 2017. Financial information can be obtained from Brian Humphress, MVCC Executive Director, 1195 Alex Bell Road, Centerville, Ohio 45459.

Preschool Promise - Preschool Promise began in 2016 when the City of Dayton voters passed a 0.25% income tax increase to support critical city services and to offer 1 year of affordable, quality Preschool to all Dayton families with a 4-year-old. This move institutionalized Preschool Promise in Dayton and provides sustained funding. Dayton made this bold leap after our community successfully implemented Preschool Promise demonstration programs in Northwest Dayton in the 2016-17 school year. These pilot efforts were made possible by multiple public and private funders, with the City of Dayton funding at the forefront. Because of the overwhelming support of Dayton voters - 56% voted "yes" for Issue 9 - Preschool Promise was expanded to all of Dayton beginning in the 2017-18 school year.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

In 2017, Preschool Promise became a stand-alone 501(c)(3) organization, and is now led by a 5-member board of directors. It is fiscally separate from Learn to Earn Dayton, though it remains a close partner. The funding for the operation of the Preschool Promise is through contributions from each participating entity. Payments to Preschool Promise are made from the City's general fund. The City paid \$1,930,360 to Preschool Promise during 2017. Financial information can be obtained from Robyn Lightcap, Executive Director, 4801 Springfield Street, Dayton, OH 45431. Robyn.Lightcap@LearntoEarnDayton.org.

B. Basis of Presentation

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

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

C. Fund Accounting

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

1. **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 deferred outflows of resources and liabilities and deferred inflows of resources 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 improvement 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.

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

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

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

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

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

- b. ***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, health insurance and stores and reproduction services.
3. ***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 surcharges, municipal court accounts, performance bonds, and 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 deferred outflows and all liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 17 for deferred outflows of resources related to the City's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 17 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position and proprietary fund statement of net position.

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code, the City's Charter and City Ordinances and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget rate resolution, 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. The Capital Improvement fund and the HUD Programs fund, pursuant to the City's charter, are not required to be budgeted annually.

These funds' appropriations, after their initial appropriations by City Commission at the time capital monies/grants are received (bond proceeds, etc.), remain intact until they are expended or modified by City Commission. Such monies are appropriated on a project level with specific identification of each project being budgeted.

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unassigned 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 2017.

Appropriations - A temporary appropriation measure to control expenditures may be passed prior to 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 Office of Management & Budget. All other modifications may only be made by ordinance of City Commission. During the year, several supplemental appropriation measures were passed. 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, 2017

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 assign 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 assignments of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each operating 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 and escrow agents, are pooled and invested in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the statement of net position.

During 2017, investments were limited to federal agency securities, U.S. Treasury notes, commercial paper, City owned debt, U.S. Government money market mutual funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for non-participating investment contracts, investments are 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, 2017. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

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

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

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

The City utilizes a financial institution to service bonded debt as principal and interest payments become due. The balance in these accounts along with reserves held for replacement and improvement for enterprise funds, money held by the municipal court, money held by the Dayton Foundation and money in the executive savings plan are shown as "cash with fiscal and escrow agents" and "investments with fiscal and escrow agents".

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 2017 was \$2,415,871 in the general fund, which includes \$1,784,432 assigned from other City funds.

H. Inventory of Supplies

Inventories held for resale are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Materials and supplies are reported at cost.

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 investments” and “investments with fiscal and escrow agents”. The “equity in pooled cash and investments” represent utility deposits held by the City and the collateral account for the Jobs Ohio Loan. The “investment with fiscal and escrow agents” are the proceeds from bond and loan issues that are required by the investment indenture or loan agreement to be held by a financial services corporation.

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 position, 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 position 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 acquisition value. 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, right of ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> | <u>Business-Type Activities Estimated Lives</u> |
|-----------------------------------|--------------------------------------------------------|---------------------------------------------------------|
| Improvements other than buildings | 5 - 40 years | 5 - 50 years |
| Buildings and improvements | 5 - 50 years | 5 - 50 years |
| Equipment | 3 - 30 years | 3 - 40 years |
| Vehicles | 3 - 20 years | 3 - 25 years |
| Software | 3 - 5 years | 3 - 5 years |
| Infrastructure | 25 - 50 years | |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

K. Interfund Balances

On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet. All other outstanding balances 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 position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

M. Compensated Absences

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

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

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

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

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

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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

O. Bond Premium and Discount/Accounting Gain or Loss

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

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

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 14.

P. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as 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

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In accordance with the City's fund balance policy, assigned amounts represent intended uses established by policies of City Commission, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

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

R. 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.

S. 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

T. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The City did not have any net position restricted by enabling legislation.

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

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

V. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14", GASB Statement No. 81 "Irrevocable Split-Interest Agreements", and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

B. Restatement of Net Position

A net position restatement is required in order to restate the beginning balance of capital assets due to errors and omissions in the prior year. The governmental activities, business-type activities and enterprise funds at January 1, 2017 have been restated as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
|------------------------------------------|------------------------------------|-------------------------------------|--|
| Net position as previously reported | \$ 413,939,780 | \$ 617,814,496 | |
| Capital asset restatement | <u>(13,646,247)</u> | <u>(1,254,918)</u> | |
| Restated net position at January 1, 2017 | <u>\$ 400,293,533</u> | <u>\$ 616,559,578</u> | |

| | <u>Dayton International Airport</u> | <u>Water Fund</u> | <u>Sewer Fund</u> |
|------------------------------------------|-----------------------------------------|-----------------------|-----------------------|
| Net position as previously reported | \$ 277,814,782 | \$ 188,714,990 | \$ 119,681,298 |
| Capital asset restatement | <u>(1,341,837)</u> | <u>302,614</u> | <u>(182,462)</u> |
| Restated net position at January 1, 2017 | <u>\$ 276,472,945</u> | <u>\$ 189,017,604</u> | <u>\$ 119,498,836</u> |

| | <u>Storm Water Fund</u> | <u>Golf Fund</u> |
|------------------------------------------|-----------------------------|----------------------|
| Net position as previously reported | \$ 27,417,716 | \$ 3,089,043 |
| Capital asset restatement | <u>(2,688)</u> | <u>(30,545)</u> |
| Restated net position at January 1, 2017 | <u>\$ 27,415,028</u> | <u>\$ 3,058,498</u> |

-NOTE 4 - DEPOSITS AND INVESTMENTS

State Statutes classify monies held by the City into three categories:

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

Inactive deposits are public deposits not required for use within the current five year period of designation of depositories as defined by the City's investment policy. Inactive deposits must either be evidenced by certificates of deposit maturing no 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

In addition to the securities listed above, the City may also invest any monies not required to be used for a period of six months or more in the following:

1. Repurchase Agreements with institutions having a signed master repurchase agreement on file with the Director of Finance or his/her designee, and only with primary dealers who have a long-term credit rating of "A" or better by two Nationally Recognized Statistical Rating Organizations "NRSROs", if the final maturity of the repurchase agreement is less than one week;
2. Securities Lending Agreements with institutions having a signed securities lending agreement on file with the Director of Finance;
3. Banker's Acceptances issued by financial institutions rated with the highest short-term credit rating of any two NRSROs, at the time of purchase;
4. Obligations or debt issuances of any Ohio political subdivision, including the City of Dayton; and

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. Corporate obligations rated at least “AA” or the equivalent, by a nationally recognized rating agency at the time of purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director 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 \$45,875 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. Cash and Investments with Fiscal Agent

At year-end, the City had \$9,779,782 in restricted cash and investments with fiscal agent held by a financial institution related to debt issuances.

C. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was a deficit of \$1,834,191. As of December 31, 2017, \$5,495,411 of the City’s bank balance of \$6,245,411 was exposed to custodial risk as discussed below, while \$750,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2017, the City’s financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although 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, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of December 31, 2017, the City had the following investments and maturities:

| Measurement/ Investment type | Investment Maturities | | | | | |
|---------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|---------------------------|
| | Measurement Amount | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| Fair Value: | | | | | | |
| FFCB | \$ 36,918,355 | \$ 224,827 | \$ 5,172,266 | \$ 3,464,340 | \$ 6,933,370 | \$ 21,123,552 |
| FHLB | 53,391,693 | 7,228,213 | 13,441,400 | 991,060 | 14,032,632 | 17,698,388 |
| FHLMC | 64,748,696 | 18,458,280 | 2,585,990 | 1,188,830 | 11,972,554 | 30,543,042 |
| FNMA | 78,207,539 | 1,496,950 | 6,219,283 | 6,938,350 | 22,628,392 | 40,924,564 |
| U.S. Treasury Notes | 14,068,549 | - | 1,970,980 | - | 935,674 | 11,161,895 |
| Commercial Paper | 20,627,140 | 20,627,140 | - | - | - | - |
| City Owned Debt | 990,000 | - | - | - | - | 990,000 |
| U.S. Government | | | | | | |
| Money Market | 13,039,220 | 13,039,220 | - | - | - | - |
| Amortized Cost: | | | | | | |
| STAR Ohio | <u>65,082,630</u> | <u>65,082,630</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 347,073,822</u> | <u>\$ 126,157,260</u> | <u>\$ 29,389,919</u> | <u>\$ 12,582,580</u> | <u>\$ 56,502,622</u> | <u>\$ 122,441,441</u> |

The weighted average maturity of investments is 1.57 years.

The City's investments in federal agency securities, commercial paper and U.S. Treasury notes are valued using quoted market prices (Level 2 inputs).

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's investment policy limits its investments in federal agency securities to ratings of A or better by Standard & Poor's and Moody's Investor Services. The City's investments in federal agency securities and its investments in U.S. Government money market funds were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017:

| <u>Investment type</u> | <u>Measurement Amount</u> | <u>% of Total</u> |
|---------------------------------|---------------------------|-------------------|
| Measurement/ Fair Value: | | |
| FFCB | \$ 36,918,355 | 10.64 |
| FHLB | 53,391,693 | 15.38 |
| FHLMC | 64,748,696 | 18.66 |
| FNMA | 78,207,539 | 22.53 |
| U.S. Treasury Notes | 14,068,549 | 4.05 |
| Commercial Paper | 20,627,140 | 5.94 |
| City Owned Debt | 990,000 | 0.29 |
| U.S. Government Money Market | 13,039,220 | 3.76 |
| Amortized Cost: | | |
| STAR Ohio | <u>65,082,630</u> | <u>18.75</u> |
| Total | <u>\$ 347,073,822</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2017:

| | |
|---------------------------------------------------------------|-----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ (1,834,191) |
| Investments | 337,294,040 |
| Investments - Cash with fiscal agent | 9,779,782 |
| Cash on hand | 45,875 |
| Cash with fiscal agent | <u>677</u> |
| Total | <u>\$ 345,286,183</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 119,391,246 |
| Business type activities | 217,329,805 |
| Agency funds | <u>8,565,132</u> |
| Total | <u>\$ 345,286,183</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 - INTERFUND TRANSACTIONS

- A. Due from/to other funds consisted of the following at December 31, 2017, as reported on the fund statements:

| <u>Due to</u> | <u>Due from</u> | | | | <u>Due from Total</u> |
|------------------------------|-----------------|------------------------------|---------------------|-------------------------|-----------------------|
| | <u>General</u> | <u>Nonmajor Governmental</u> | <u>Water</u> | <u>Internal Service</u> | |
| General | \$ - | \$ - | \$ - | \$ 42,257 | \$ 42,257 |
| Capital Improvement | 57 | 1,920 | - | 176 | 2,153 |
| Nonmajor Governmental | 1,959 | - | - | 1,421 | 3,380 |
| Dayton International Airport | - | - | - | 1,268 | 1,268 |
| Water | 843 | - | - | 3,780 | 4,623 |
| Sewer | 108 | - | 3,487,101 | 1,602 | 3,488,811 |
| Nonmajor Enterprise | 2 | - | 735,120 | 173 | 735,295 |
| Internal Service | 75 | - | - | 1,082 | 1,157 |
| Due to total | <u>\$ 3,044</u> | <u>\$ 1,920</u> | <u>\$ 4,222,221</u> | <u>\$ 51,759</u> | <u>\$ 4,278,944</u> |

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

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

- B. Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund statements:

| <u>Transfer from</u> | <u>Transfer to</u> | | | | <u>Total</u> |
|----------------------|---------------------|-----------------------------|------------------------------|----------------------------|----------------------|
| | <u>Debt Service</u> | <u>Capital Improvements</u> | <u>Nonmajor Governmental</u> | <u>Nonmajor Enterprise</u> | |
| General | \$ 1,073,300 | \$ 8,070,601 | \$ 438,074 | \$ 517,500 | \$ 10,099,475 |
| Internal Service | <u>117,562</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>117,562</u> |
| Total | <u>\$ 1,190,862</u> | <u>\$ 8,070,601</u> | <u>\$ 438,074</u> | <u>\$ 517,500</u> | <u>\$ 10,217,037</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The City transferred \$117,562 from the fire fleet internal service fund to the debt service fund for related debt payments.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

- C. Advances to/from other funds for the year ended December 31, 2017, consisted of the following, as reported on the fund statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|---------------------|-------------------|
| Debt Service | Nonmajor Enterprise | <u>\$ 357,175</u> |

Advances from the debt service fund to the golf fund (a nonmajor enterprise fund) are for debt service payments relating to the Series 2001 Golf Renovation General Obligation Bonds. The golf fund did not have the revenue to support complete repayment of the bonds. An agreement was made which allowed the debt service fund to pay a portion of the golf fund debt each year and the golf fund agreed to make payments of \$281,505 each year for twenty years, eight years longer than the original issue date. Repayment on the loan began in 2013 with the complete loan being retired in 2019.

The City also has \$2,896,200 in manuscript bonds outstanding related to the recreational facilities project. The loan was made between sub-funds within the capital projects fund. Intrafund loans are not presented on the basic financial statements.

The City also has \$68,100 in manuscript bonds outstanding in the debt service fund related to special assessments. This loan was made between sub-funds of the debt service fund. Intrafund loans are not presented on the basic financial statements.

Advances between governmental funds and business-type activities are reported as an internal balance on the statement of net position.

- D. Interfund loans for the year ended December 31, 2017, consisted of the following, as reported on the fund statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------------|---------------------|
| General | Nonmajor governmental | <u>\$ 1,170,000</u> |

The general fund advanced \$1,170,000 to the HUD (nonmajor governmental fund) during 2017. This advance is expected to be repaid during 2018.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. For Montgomery County, the first half payment is due the middle of February and the second half payment is due the middle of July.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2017 was \$10 per \$1,000 of assessed value. The assessed values of real and public utility property for tax year 2017 are as follows:

Real property

| | |
|--------------------------|----------------|
| Residential/agricultural | \$ 900,803,550 |
| Commercial/industrial | 421,098,100 |

Public utility

| | |
|----------------------|-------------------------|
| Real | 1,869,030 |
| Personal | <u>109,034,600</u> |
| Total assessed value | <u>\$ 1,432,805,280</u> |

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. On May 6, 2014, at the regular primary election, the voters of the City approved a Charter Amendment authorizing the City Commission to levy an income tax at the annual rate of 2.25% for a continuing period commencing January 1, 2015. Ordinance 31288-14, being approved by the electorate, became effective January 1, 2015. On November 8, 2016, at the regular general election, the voters of the City approved a Charter Amendment authorizing the City Commission to levy an income tax at the annual rate of 2.5% for a period of eight (8) years commencing January 1, 2017 (2.25% is permanent and .25% is for a period of 8 years). Ordinance 31501-16, being approved by the electorate, became effective January 1, 2017. 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - INCOME TAX - (Continued)

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 2017, as reported in the governmental fund financial statements on the modified accrual basis of accounting, was \$125,088,070.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has four active TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$2,919,537 in 2017 as reported in the fund financial statements. The TIF has a longevity of up to 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

NOTE 9 - TAX ABATEMENTS

As of December 31, 2017, the City provides tax abatements through two programs—Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA’s are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - TAX ABATEMENTS - (Continued)

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The City has entered into agreements to abate property taxes through these programs. There are 10 parcels that have taxes abated through Ezone agreements and 388 parcels that have taxes abated through CRAs. During 2017, the City's property tax revenues were reduced as a result of these agreements as follows:

| <u>Tax Abatement Program</u> | <u>City Taxes Abated</u> |
|------------------------------|------------------------------|
| CRA | \$ 211,242 |
| Ezone | <u>46,513</u> |
| Total | <u>\$ 257,755</u> |

NOTE 10 - RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, accounts (billings for user charged services), special assessments, payments in lieu of taxes, 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, 2017, as well as intended to finance 2017 operations.

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

| <u>Governmental activities:</u> | |
|----------------------------------------|---------------|
| Property and other local taxes | \$ 20,772,254 |
| Municipal income taxes | 18,574,655 |
| Accounts | 6,889,988 |
| Payments in lieu of taxes | 1,619,320 |
| Special assessments | 8,696,175 |
| Accrued interest | 436,383 |
| Loans | 24,866,574 |
| Due from other governments | 13,938,643 |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – RECEIVABLES - (Continued)

Business-type activities:

| | |
|----------------------------|------------|
| Accounts | 17,343,822 |
| Special assessments | 1,561,748 |
| Accrued interest | 405,665 |
| Due from other governments | 603,570 |
| Loans | 1,104,736 |

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 2040 (See Note 11).

NOTE 11 - LOANS RECEIVABLE

A. Dayton-Montgomery County Port Authority

During 2008, the City issued \$32,000,000 in economic development revenue bonds payable from nontax revenues of the City. The City loaned \$20,100,000 of the proceeds to the Dayton-Montgomery County Port Authority (the “Port Authority”) to assist in financing the costs of constructing a parking facility to be used by CareSource, a nonprofit corporation. The Port Authority will make loan payments semiannually on July 1 and December 1 at a 4.67% interest rate. The final loan payment is due December 1, 2028. The Port Authority is currently in default of this loan and unpaid interest adds to the principal outstanding on the loan. At December 31, 2017, the amount owed to the City was \$21,287,115. However, the City reports loans receivable net of uncollectible amounts. Due to the non-recourse language in the loan and the Port Authority’s current state of default, the City has recorded a receivable of \$13,685,000 for this loan and considers \$7,602,115 uncollectible. However, the Port Authority remains liable for the entire balance of the loan, including the portion in default.

B. City-Wide Community Urban Redevelopment Corporation

On January 6, 2010, the City loaned the City-Wide Community Urban Redevelopment Corporation \$6,335,904 to assist in the construction of a new recreation complex. At the end of seven years, the loan may be forgiven in exchange for the City gaining ownership of the recreation complex. This loan has an interest rate of 3.95% per year with principal payments beginning January 1, 2021. The final loan payment is due December 1, 2039. In 2017, this loan was forgiven in exchange for the City gaining ownership of the recreation complex.

C. Dayton TechTown Investment Fund, LLC.

On June 28, 2010, the City loaned \$7,375,620 to Dayton TechTown Investment Fund, LLC for the continued development of a technology park. The loan has a 2.0% interest rate with required principal payments beginning June 27, 2017. The final loan payment is due June 27, 2040. During 2017, the City forgave a portion of this loan. The remaining balance is considered uncollectible.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 - LOANS RECEIVABLE – (Continued)

D. City-Wide Development Corporation (CWDC)

The City has various loans outstanding with City-Wide Development Corporation. CWDC is a private, non-profit development organization. The City received \$458,353 in loan payments during 2017, forgave \$250,000 in loans and made \$234,992 in new loans. A summary of the loans receivable outstanding by project are as follows:

| <u>Project Name</u> | <u>Loan Receivable</u> |
|-----------------------|------------------------|
| Landing Project | \$ 5,433,600 |
| Wellfield | 1,104,736 |
| Hawthorne School | 681,584 |
| Phoenix Redevelopment | 2,272,699 |
| Webster Street | 135,000 |
| Tech Town | 2,035,000 |
| Tech Town 2 | 550,000 |
| Boost Technologies | 27,024 |
| Miami Valley Packing | 46,667 |
| Total | <u>\$ 12,286,310</u> |

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CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - CAPITAL ASSETS

- A. The beginning balances of capital assets have been restated as described in Note 3.B. Capital asset activity for the governmental activities for the year ended December 31, 2017 were as follows:

| | Balance <u>12/31/16</u> | <u>Restatement</u> | Restated Balance <u>12/31/16</u> |
|-----------------------------------------------|----------------------------|------------------------|----------------------------------------|
| Governmental activities: | | | |
| <i>Capital assets, not being depreciated:</i> | | | |
| Land | \$ 69,980,251 | \$ (18,968,587) | \$ 51,011,664 |
| Construction in progress | 21,568,904 | - | 21,568,904 |
| Right-of-ways | <u>14,007,402</u> | <u>-</u> | <u>14,007,402</u> |
| Total capital assets, not being depreciated | <u>105,556,557</u> | <u>(18,968,587)</u> | <u>86,587,970</u> |
| <i>Capital assets, being depreciated:</i> | | | |
| Building improvements | 155,323,832 | 1,678,504 | 157,002,336 |
| Improvements other than buildings | 62,557,498 | (8,244,002) | 54,313,496 |
| Equipment | 20,862,345 | (2,151,278) | 18,711,067 |
| Software | 1,425,748 | - | 1,425,748 |
| Motor vehicles | 48,440,652 | (5,188,182) | 43,252,470 |
| Infrastructure | <u>330,756,409</u> | <u>(47,034)</u> | <u>330,709,375</u> |
| Total capital assets, being depreciated | <u>619,366,484</u> | <u>(13,951,992)</u> | <u>605,414,492</u> |
| <i>Less: accumulated depreciation</i> | | | |
| Building improvements | (86,081,028) | 5,003,073 | (81,077,955) |
| Improvements other than buildings | (44,549,582) | 6,834,311 | (37,715,271) |
| Equipment | (15,766,068) | 2,179,082 | (13,586,986) |
| Software | (828,682) | - | (828,682) |
| Motor vehicles | (34,373,753) | 5,182,265 | (29,191,488) |
| Infrastructure | <u>(101,007,727)</u> | <u>75,601</u> | <u>(100,932,126)</u> |
| Total accumulated depreciation | <u>(282,606,840)</u> | <u>19,274,332</u> | <u>(263,332,508)</u> |
| Total capital assets being depreciated, net | <u>336,759,644</u> | <u>5,322,340</u> | <u>342,081,984</u> |
| Governmental activities capital assets, net | <u>\$ 442,316,201</u> | <u>\$ (13,646,247)</u> | <u>\$ 428,669,954</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - CAPITAL ASSETS - (Continued)

| | Restated Balance <u>12/31/16</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>12/31/17</u> |
|-----------------------------------------------|----------------------------------------|----------------------|------------------------|----------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 51,011,664 | \$ 452,689 | \$ - | \$ 51,464,353 |
| Construction in progress | 21,568,904 | 17,532,110 | (30,248,115) | 8,852,899 |
| Right-of-ways | <u>14,007,402</u> | <u>-</u> | <u>-</u> | <u>14,007,402</u> |
| Total capital assets, not being depreciated | <u>86,587,970</u> | <u>17,984,799</u> | <u>(30,248,115)</u> | <u>74,324,654</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Building improvements | 157,002,336 | 6,478,455 | - | 163,480,791 |
| Improvements other than buildings | 54,313,496 | 1,935,595 | - | 56,249,091 |
| Equipment | 18,711,067 | 433,609 | - | 19,144,676 |
| Software | 1,425,748 | 33,675 | - | 1,459,423 |
| Motor vehicles | 43,252,470 | 4,755,890 | (1,236,875) | 46,771,485 |
| Infrastructure | <u>330,709,375</u> | <u>30,503,437</u> | <u>-</u> | <u>361,212,812</u> |
| Total capital assets, being depreciated | <u>605,414,492</u> | <u>44,140,661</u> | <u>(1,236,875)</u> | <u>648,318,278</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Building improvements | (81,077,955) | (2,827,556) | - | (83,905,511) |
| Improvements other than buildings | (37,715,271) | (988,782) | - | (38,704,053) |
| Equipment | (13,586,986) | (1,385,415) | - | (14,972,401) |
| Software | (828,682) | (176,620) | - | (1,005,302) |
| Motor vehicles | (29,191,488) | (2,336,777) | 1,193,229 | (30,335,036) |
| Infrastructure | <u>(100,932,126)</u> | <u>(7,214,610)</u> | <u>-</u> | <u>(108,146,736)</u> |
| Total accumulated depreciation | <u>(263,332,508)</u> | <u>(14,929,760)</u> | <u>1,193,229</u> | <u>(277,069,039)</u> |
| Total capital assets being depreciated, net | <u>342,081,984</u> | <u>29,210,901</u> | <u>(43,646)</u> | <u>371,249,239</u> |
| Governmental activities capital assets, net | <u>\$ 428,669,954</u> | <u>\$ 47,195,700</u> | <u>\$ (30,291,761)</u> | <u>\$ 445,573,893</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

| | | |
|------------------------------------------------------|----|-------------------|
| Downtown | \$ | 376,699 |
| Youth, education and human services | | 3,237 |
| Community development and neighborhoods | | 492,759 |
| Economic development | | 650,960 |
| Leadership and quality of life | | 9,838,776 |
| Corporate responsibility | | 751,139 |
| Public safety and justice | | <u>2,816,190</u> |
| Total depreciation expense - governmental activities | \$ | <u>14,929,760</u> |

B. Capital asset activity for the business-type activities for the year ended December 31, 2017, were as follows:

| | Balance | | Restated |
|-----------------------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>12/31/16</u> | <u>Restatement</u> | <u>12/31/16</u> |
| Business-type activities: | | | |
| <i>Capital assets, not being depreciated:</i> | | | |
| Land | \$ 42,965,353 | \$ (269,052) | \$ 42,696,301 |
| Construction in progress | <u>27,701,409</u> | <u>-</u> | <u>27,701,409</u> |
| Total capital assets, not being depreciated | <u>70,666,762</u> | <u>(269,052)</u> | <u>70,397,710</u> |
| <i>Capital assets, being depreciated:</i> | | | |
| Buildings and improvements | 229,275,977 | (1,513,666) | 227,762,311 |
| Improvements other than buildings | 798,872,166 | (148,363) | 798,723,803 |
| Equipment | 21,879,348 | (2,112,360) | 19,766,988 |
| Software | 2,514,770 | - | 2,514,770 |
| Vehicles | <u>45,772,391</u> | <u>(5,746,015)</u> | <u>40,026,376</u> |
| Total capital assets, being depreciated | <u>1,098,314,652</u> | <u>(9,520,404)</u> | <u>1,088,794,248</u> |
| <i>Less: accumulated depreciation</i> | | | |
| Buildings and improvements | (105,233,986) | 835,822 | (104,398,164) |
| Improvements other than buildings | (452,963,150) | 124,327 | (452,838,823) |
| Equipment | (16,925,338) | 1,828,374 | (15,096,964) |
| Software | (972,745) | - | (972,745) |
| Vehicles | <u>(30,674,429)</u> | <u>5,746,015</u> | <u>(24,928,414)</u> |
| Total accumulated depreciation | <u>(606,769,648)</u> | <u>8,534,538</u> | <u>(598,235,110)</u> |
| Total capital assets being depreciated, net | <u>491,545,004</u> | <u>(985,866)</u> | <u>490,559,138</u> |
| Business-type activities capital assets, net | <u>\$ 562,211,766</u> | <u>\$ (1,254,918)</u> | <u>\$ 560,956,848</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - CAPITAL ASSETS - (Continued)

| | Restated Balance | | | Balance |
|-----------------------------------------------|-----------------------|----------------------|------------------------|-----------------------|
| | <u>12/31/16</u> | <u>Additions</u> | <u>Deductions</u> | <u>12/31/17</u> |
| Business-type activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 42,696,301 | \$ 34,296 | \$ (30,274) | \$ 42,700,323 |
| Construction in progress | <u>27,701,409</u> | <u>40,642,671</u> | <u>(49,567,120)</u> | <u>18,776,960</u> |
| Total capital assets, not being depreciated | <u>70,397,710</u> | <u>40,676,967</u> | <u>(49,597,394)</u> | <u>61,477,283</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 227,762,311 | 13,048,766 | - | 240,811,077 |
| Improvements other than buildings | 798,723,803 | 43,288,486 | - | 842,012,289 |
| Equipment | 19,766,988 | 1,779,669 | (98,315) | 21,448,342 |
| Software | 2,514,770 | 229,201 | - | 2,743,971 |
| Vehicles | <u>40,026,376</u> | <u>2,044,306</u> | <u>(867,662)</u> | <u>41,203,020</u> |
| Total capital assets, being depreciated | <u>1,088,794,248</u> | <u>60,390,428</u> | <u>(965,977)</u> | <u>1,148,218,699</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Buildings and improvements | (104,398,164) | (4,897,026) | - | (109,295,190) |
| Improvements other than buildings | (452,838,823) | (18,881,438) | - | (471,720,261) |
| Equipment | (15,096,964) | (1,179,780) | 98,315 | (16,178,429) |
| Software | (972,745) | (499,282) | - | (1,472,027) |
| Vehicles | <u>(24,928,414)</u> | <u>(1,930,973)</u> | <u>758,969</u> | <u>(26,100,418)</u> |
| Total accumulated depreciation | <u>(598,235,110)</u> | <u>(27,388,499)</u> | <u>857,284</u> | <u>(624,766,325)</u> |
| Total capital assets being depreciated, net | <u>490,559,138</u> | <u>33,001,929</u> | <u>(108,693)</u> | <u>523,452,374</u> |
| Business-type activities capital assets, net | <u>\$ 560,956,848</u> | <u>\$ 73,678,896</u> | <u>\$ (49,706,087)</u> | <u>\$ 584,929,657</u> |

Depreciation expense was charged to the enterprise funds as follows:

Business-type Activities:

| | |
|-------------------------------------------------------|----------------------|
| Dayton International Airport | \$ 13,450,171 |
| Water | 7,261,946 |
| Sewer | 4,949,494 |
| Storm water | 1,460,740 |
| Golf | <u>266,148</u> |
| Total depreciation expense - business-type activities | <u>\$ 27,388,499</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - CAPITAL ASSETS - (Continued)

- C. Outstanding contractual commitments related to construction in progress for the year ended December 31, 2017, was as follows:

| | | |
|-----------------------------------------------|--------|-----------------------|
| Governmental activities | \$ | 5,053,994 |
| Water | | 6,988,278 |
| Sewer | | 12,348,871 |
| Dayton International Airport | | <u>43,525,531</u> |
| Total outstanding contractual commitments | \$ | <u>67,916,674</u> |

NOTE 13 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE

- A. 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 one to 54 years. The future minimum lease payments as of December 31, 2017, are as follows:

| <u>Year Ending December 31,</u> | | <u>Minimum Lease Payments</u> |
|-------------------------------------|--------|-----------------------------------|
| 2018 | \$ | 4,509,524 |
| 2019 | | 2,174,204 |
| 2020 | | 2,087,429 |
| 2021 | | 1,603,439 |
| 2022 | | 1,253,635 |
| 2023 - 2027 | | 4,976,380 |
| 2028 - 2032 | | 3,605,085 |
| 2033 - 2037 | | 2,548,232 |
| 2038 - 2042 | | 1,024,522 |
| 2043 - 2047 | | 908,526 |
| 2048 - 2052 | | 908,526 |
| 2053 - 2057 | | 702,262 |
| 2058 - 2062 | | 591,196 |
| 2063 - 2067 | | 358,823 |
| 2068 - 2072 | | <u>4,105</u> |
| Totals | \$ | <u>27,255,888</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE – (Continued)

B. The City is the lessor of various parcels of lands and buildings for multiple purposes within the governmental activities, including economic development, recreation services, and public works. The leases are between the City and various vendors. The leases have varying terms from one to 24 years. The future minimum lease payments as of December 31, 2017, are as follows:

| Year Ending <u>December 31,</u> | <u>Minimum Lease Payments</u> |
|------------------------------------|-----------------------------------|
| 2018 | \$ 278,340 |
| 2019 | 306,052 |
| 2020 | 184,062 |
| 2021 | 172,062 |
| 2022 | 172,051 |
| 2023 - 2027 | 860,048 |
| 2028 - 2032 | 891,444 |
| 2033 - 2037 | 859,538 |
| 2038 - 2042 | <u>202,640</u> |
| Totals | <u>\$ 3,926,237</u> |

NOTE 14 - LONG-TERM OBLIGATIONS

A. The changes in the City's governmental activities long-term obligations during the year consist of the following:

| | Issue Date | Maturity Date | Interest Rate (%) | Original | | Increase | Decrease | Balance 12/31/17 | Amounts Due in One Year |
|--------------------------------------|---------------|------------------|----------------------|-----------------|---------------------|----------|--------------------|---------------------|-------------------------------|
| | | | | Issue Amount | Balance 12/31/16 | | | | |
| Governmental activities: | | | | | | | | | |
| General obligation bonds: | | | | | | | | | |
| Capital facilities | 10/25/07 | 12/01/27 | 4.0 - 5.0 | 19,745,000 | 2,605,000 | - | (1,045,000) | 1,560,000 | 375,000 |
| Various purpose and refunding | 07/28/09 | 12/01/29 | 2.5 - 5.0 | 26,483,111 | 10,680,000 | - | (1,560,000) | 9,120,000 | 1,615,000 |
| Various Purpose GO Bonds | 12/15/16 | 12/01/36 | 2.0 - 5.0 | 12,210,000 | 12,210,000 | - | (690,000) | 11,520,000 | 1,340,000 |
| Energy conservation bonds | 06/11/11 | 12/01/25 | 4.98 | 1,615,000 | 1,075,000 | - | (115,000) | 960,000 | 115,000 |
| Various purpose bonds | 10/11/12 | 12/01/32 | 3.0 - 4.0 | 11,385,000 | 8,070,000 | - | (860,000) | 7,210,000 | 925,000 |
| Various purpose bonds | 9/9/14 | 12/01/34 | 1.25 - 4.0 | 5,700,000 | <u>5,090,000</u> | - | <u>(335,000)</u> | <u>4,755,000</u> | <u>340,000</u> |
| Total general obligation bonds | | | | | <u>39,730,000</u> | - | <u>(4,605,000)</u> | <u>35,125,000</u> | <u>4,710,000</u> |
| Revenue bonds: | | | | | | | | | |
| Baseball revenue refunding bonds | 12/30/09 | 12/01/19 | 2.25 - 3.5 | 7,925,000 | 2,595,000 | - | (835,000) | 1,760,000 | 865,000 |
| Economic development | 09/22/10 | 12/1/31 | 2.0 - 4.125 | 2,500,000 | 1,945,000 | - | (100,000) | 1,845,000 | 105,000 |
| Economic development refunding bonds | 11/14/12 | 12/01/28 | 3.0 - 5.0 | 24,170,000 | <u>19,515,000</u> | - | <u>(1,275,000)</u> | <u>18,240,000</u> | <u>1,330,000</u> |
| Total revenue bonds | | | | | <u>24,055,000</u> | - | <u>(2,210,000)</u> | <u>21,845,000</u> | <u>2,300,000</u> |

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

| | Issue | Maturity | Original Issue | Balance | | | Balance | Amounts Due in |
|----------------------------------------------|-------------|-------------|-------------------|--------------------|-------------------|---------------------|-----------------------|----------------------|
| <i>Governmental activities:</i> | <u>Date</u> | <u>Date</u> | <u>Amount</u> | <u>12/31/16</u> | <u>Increase</u> | <u>Decrease</u> | <u>12/31/17</u> | <u>One Year</u> |
| Ohio Public Works Commission loans: | | | | | | | | |
| Ohio Public Works | | | | | | | | |
| Commission loan | 07/01/02 | 07/01/17 | \$ 239,750 | \$ 27,313 | \$ - | \$ (27,313) | \$ - | \$ - |
| Ohio Public Works | | | | | | | | |
| Commission loan | 1/1/2016 | 1/1/2031 | 323,885 | 313,089 | - | (21,592) | 291,497 | 21,593 |
| Ohio Public Works | | | | | | | | |
| Commission loan | 7/1/2016 | 7/1/2031 | 133,189 | 133,189 | - | (8,879) | 124,310 | 8,879 |
| Ohio Public Works | | | | | | | | |
| Commission loan | 7/1/2016 | 7/1/2031 | 642,814 | 642,814 | - | (42,854) | 599,960 | 42,854 |
| Total Ohio Public Works Commission loans | | | | <u>1,116,405</u> | <u>-</u> | <u>(100,638)</u> | <u>1,015,767</u> | <u>73,326</u> |
| Other long-term obligations: | | | | | | | | |
| Ohio Department of | | | | | | | | |
| Development loan | 04/01/10 | 04/21/25 | 2,860,000 | 2,440,804 | - | (261,750) | 2,179,054 | 269,713 |
| State Infrastructure | | | | | | | | |
| Bank loan | 12/4/2014 | 11/15/2036 | 2,500,000 | 2,568,125 | - | (95,356) | 2,472,769 | 98,238 |
| State Infrastructure | | | | | | | | |
| Bank bonds | 12/4/14 | 11/15/2036 | 3,540,000 | 3,465,000 | - | (150,000) | 3,315,000 | 150,000 |
| Net pension liability | | | | 191,388,971 | 16,598,580 | (4,143,767) | 203,843,784 | - |
| Judgments | | | | 173,210 | 282,576 | (452,631) | 3,155 | 3,155 |
| Claims | | | | 5,928,625 | 28,914,563 | (28,774,229) | 6,068,959 | 3,741,511 |
| Compensated absences | | | | 9,371,441 | 8,768,293 | (8,242,208) | 9,897,526 | 6,338,130 |
| Total other long-term obligations | | | | <u>215,336,176</u> | <u>54,564,012</u> | <u>(42,119,941)</u> | <u>227,780,247</u> | <u>10,600,747</u> |
| Total governmental activities | | | | | | | <u>285,766,014</u> | <u>\$ 17,684,073</u> |
| Add: unamortized bond premiums and discounts | | | | | | | <u>5,320,227</u> | |
| Total on statement of net position | | | | | | | <u>\$ 291,086,241</u> | |

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

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

On July 28, 2009, the City issued general obligation bonds (Series 2009 various purpose and refunding bonds) in the amount of \$27,255,000 for the following purposes: \$771,889 to advance refund the callable portion of the Series 2001 golf renovation general obligation bonds, \$5,023,111 to advance refund the callable portion of the Series 2001 capital facilities general obligation bonds, \$8,730,000 to advance refund the callable portion of the Series 1998 capital facilities general obligation bonds and \$12,730,000 for capital improvements. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 1998 capital facilities general obligation bonds at December 31, 2017, is \$2,820,000.

The refunding issue for governmental activities is comprised of current interest bonds, par value \$26,483,111. The interest rates on the current interest bonds range from 2.50% - 5.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$639,021. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

On October 11, 2012, the City issued \$42,285,000 in various purpose bonds (Series 2012 various purpose bonds). Of this issue, \$15,300,000 is reported as a liability in the water fund, \$15,600,000 is reported as a liability in the sewer fund and the remaining \$11,385,000 is a liability in the governmental activities. \$2,460,000 was used to advance refund the callable portion of the Series 2004 capital facilities bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$519,666. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has pledged future nontax revenues in the City's general fund to repay \$12,190,000 in Series 1999 economic development revenue bonds. The proceeds were used for the Dayton baseball stadium project. On December 30, 2009, the City issued revenue bonds (Series 2009 baseball revenue refunding bonds) to advance refund the callable portion of the Series 1999 baseball revenue bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$180,965. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The balance of the refunded Series 1999 baseball revenue bonds at December 31, 2017 is \$2,040,000. The Series 1999 revenue bonds are payable solely from nontax revenues in the City's general fund and are payable through 2019. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license and permit fees. Annual principal and interest payments on the revenue bonds are expected to require less than 2.73 percent of general fund nontax revenues. The total principal and interest remaining to be paid on the Series 2009 baseball revenue refunding bonds is \$1,181,195. Principal and interest paid for the current year on the Series 1999 baseball revenue bonds was \$835,000 and \$85,755. General fund nontax revenues for the current year were \$33,680,722.

The City has pledged future nontax revenues in the City's general fund to repay \$32,000,000 in Series 2008 economic development revenue bonds. The proceeds were used for the construction of parking facilities and a loan to the Dayton-Montgomery County Port Authority related to the construction of the parking facility. On November 14, 2012, the City issued revenue bonds (Series 2012 economic development refunding bonds) to advance refund the Series 2008 economic development bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2008 economic development revenue bonds at December 31, 2017 is \$22,460,000. The Series 2012 revenue bonds are payable solely from nontax revenues in the general fund and are payable through 2028. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license permit fees. Annual principal and interest payments on the revenues bonds are expected to require less than 6.03 percent of general fund nontax revenues. The City has designated, through authorizing legislation, nontax revenues from the loan payments made by the Port Authority and income and profit related to the parking facility to be used for the debt repayment. The total principal and interest remaining to be paid on the Series 2012 revenue bonds is \$22,345,012. Principal and interest paid for the current year on the refunding revenue bonds was \$1,275,000 and \$754,550. General fund nontax revenues for the current year were \$33,680,722.

The reacquisition price exceeded the net carrying amount of the old debt by \$675,285. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has pledged future nontax revenues in the City's general fund to repay \$2,500,000 in Series 2010 economic development revenue bonds. The proceeds were used to assist in financing the costs of the demolition, site remediation and construction of public and private infrastructure improvements located in the Tech Town commercial park. The Series 2010 revenue bonds are payable solely from nontax revenues in the general fund and are payable through 2031. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license permit fees. Annual principal and interest payments on the revenue bonds are expected to require less than .51 percent of general fund nontax revenues. The total principal and interest remaining to be paid on the Series 2010 revenue bonds is \$2,439,260. Principal and interest paid for the current year was \$100,000 and \$72,879. General fund nontax revenues for the current year were \$33,680,722.

On September 9, 2014, the City issued various purpose general obligation bonds, par value \$5,700,000. The interest rates on the current interest bonds range from 1.25% to 4.0%. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2034.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

On December 15, 2016, the City issued \$18,110,000 in various purpose bonds (Series 2016 various purpose bonds). Of this issue, \$5,900,000 is reported as a liability in the water fund and the remaining \$12,210,000 is a liability of the governmental activities. \$2,710,000 was used to advance refund the callable portion of the Series 2007 capital facilities bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2007 capital facilities general obligation bonds at December 31, 2017, is \$2,775,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$101,310. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has four Ohio Public Works Commission loans that will be repaid from the debt service fund. The first loan was issued for the East Fifth Street rehabilitation project. The loan was issued at a 3.0% interest rate and a maturity date of July 1, 2017. The second loan was issued at 0% interest rate with a maturity date of January 1, 2031 for Keowee Street rehabilitation. The third loan was issued at 0% interest rate with a maturity date of July 1, 2031 for River Corridor Drive rebuild. The fourth loan was issued at 0% interest rate with a maturity date of July 1, 2031 for South Smithville Road project phase I.

The Ohio Department of Development loan was issued for development of the Tech-Town project. The loan was issued at a 0% interest rate for the first sixty months and 3% for the remainder of the loan. There are no principal payments due on the loan for the first sixty months. The maturity date is April 1, 2025.

Compensated absences will be paid from the fund from which the employees' salaries are paid, which for the City, is primarily the general fund, the Street fund (a nonmajor governmental fund) and the HUD Programs fund (a nonmajor governmental fund). The net pension liability will be paid from the general fund and the Street 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 and the Health Insurance Internal Service fund.

See Note 17 for detail on the net pension liability.

On December 4, 2014, the Ohio Department of Transportation ("ODOT") issued the City bonds, par value \$3,540,000 and a loan in the amount of \$2,500,000 and capitalized interest of \$68,125 through the State Infrastructure Bank ("SIB"). The bonds have a final maturity date of November 15, 2036 and an interest rate of 3.428%, with semi-annual principal and interest payments. The loan has a maturity date of November 1, 2036, with a 3.0% interest rate, beginning December 4, 2015. Principal and interest payments are due semi-annually. The loan had a zero percent interest rate until December 4, 2015.

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2017, the City's total debt margin was \$106,970,767 and the unvoted debt margin was \$35,330,503.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2017 for the governmental activities:

| Year Ending December 31, | General Obligation Bonds | | | Revenue Bonds | | |
|-----------------------------|--------------------------|--------------|---------------|---------------|--------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 4,710,000 | \$ 1,320,213 | \$ 6,030,213 | \$ 2,300,000 | \$ 833,799 | \$ 3,133,799 |
| 2019 | 4,070,000 | 1,155,537 | 5,225,537 | 2,395,000 | 735,866 | 3,130,866 |
| 2020 | 3,380,000 | 1,004,634 | 4,384,634 | 1,575,000 | 631,641 | 2,206,641 |
| 2021 | 2,345,000 | 878,308 | 3,223,308 | 1,650,000 | 554,322 | 2,204,322 |
| 2022 | 2,275,000 | 785,683 | 3,060,683 | 1,720,000 | 488,666 | 2,208,666 |
| 2023 - 2027 | 10,815,000 | 2,462,018 | 13,277,018 | 9,610,000 | 1,416,312 | 11,026,312 |
| 2028 - 2032 | 5,870,000 | 935,785 | 6,805,785 | 2,595,000 | 129,861 | 2,724,861 |
| 2033 - 2035 | 1,660,000 | 139,548 | 1,799,548 | - | - | - |
| Totals | \$ 35,125,000 | \$ 8,681,726 | \$ 43,806,726 | \$ 21,845,000 | \$ 4,790,467 | \$ 26,635,467 |

| Year Ending December 31, | Ohio Public Works Commission Loans | | | Ohio Department of Development Loan | | |
|-----------------------------|---------------------------------------|----------|--------------|----------------------------------------|------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 73,326 | \$ - | \$ 73,326 | \$ 269,713 | \$ 66,820 | \$ 336,533 |
| 2019 | 73,327 | - | 73,327 | 277,917 | 57,934 | 335,851 |
| 2020 | 73,325 | - | 73,325 | 286,372 | 48,773 | 335,145 |
| 2021 | 73,326 | - | 73,326 | 295,079 | 39,340 | 334,419 |
| 2022 | 73,325 | - | 73,325 | 304,055 | 29,617 | 333,672 |
| 2023 - 2027 | 366,628 | - | 366,628 | 745,918 | 29,640 | 775,558 |
| 2028 - 2032 | 282,510 | - | 282,510 | - | - | - |
| Totals | \$ 1,015,767 | \$ - | \$ 1,015,767 | \$ 2,179,054 | \$ 272,124 | \$ 2,451,178 |

| Year Ending December 31, | State Infrastructure Bank Bonds | | | State Infrastructure Bank Loan | | |
|-----------------------------|------------------------------------|--------------|--------------|-----------------------------------|------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 150,000 | \$ 103,494 | \$ 253,494 | \$ 98,238 | \$ 73,452 | \$ 171,690 |
| 2019 | 150,000 | 101,056 | 251,056 | 101,207 | 70,483 | 171,690 |
| 2020 | 150,000 | 97,962 | 247,962 | 104,266 | 67,424 | 171,690 |
| 2021 | 150,000 | 94,494 | 244,494 | 107,418 | 64,272 | 171,690 |
| 2022 | 150,000 | 90,744 | 240,744 | 110,664 | 61,026 | 171,690 |
| 2023 - 2027 | 800,000 | 386,806 | 1,186,806 | 605,563 | 252,887 | 858,450 |
| 2028 - 2032 | 910,000 | 250,743 | 1,160,743 | 702,783 | 155,667 | 858,450 |
| 2033 - 2037 | 855,000 | 73,593 | 928,593 | 642,630 | 44,130 | 686,760 |
| Totals | \$ 3,315,000 | \$ 1,198,892 | \$ 4,513,892 | \$ 2,472,769 | \$ 789,341 | \$ 3,262,110 |

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

B. The changes in the City's business-type activities long-term obligations during the year consist of the following:

| <i>Business-type activities:</i> | Issue Date | Maturity Date | Interest Rate (%) | Original Issue Amount | Balance 12/31/16 | Increase | Decrease | Balance 12/31/17 | Amounts Due in One Year |
|-------------------------------------------------|---------------|------------------|----------------------|-----------------------------|-----------------------|----------------------|-----------------------|-----------------------|-------------------------------|
| General obligation bonds: | | | | | | | | | |
| Water | 10/11/2012 | 12/1/2032 | 3.0 - 4.0 | \$15,300,000 | \$ 11,740,000 | \$ - | \$ (705,000) | \$ 11,035,000 | \$ 735,000 |
| Sewer | 10/11/2012 | 12/1/2032 | 3.0 - 4.0 | 15,600,000 | 11,980,000 | - | (720,000) | 11,260,000 | 745,000 |
| Dayton International Airport parking garage | 07/28/2009 | 12/1/2029 | 1.75 to 6.5 | 10,820,000 | 895,000 | - | (435,000) | 460,000 | 460,000 |
| Dayton International Airport refunding bonds | 12/3/2015 | 12/1/2029 | 1.0 to 4.0 | 8,045,000 | 7,900,000 | - | (140,000) | 7,760,000 | 140,000 |
| Wellfield | 12/15/2016 | 12/1/2036 | 2.0 to 5.0 | 5,900,000 | <u>5,900,000</u> | - | (280,000) | <u>5,620,000</u> | <u>280,000</u> |
| Total general obligation bonds | | | | | <u>38,415,000</u> | <u>-</u> | <u>(2,280,000)</u> | <u>36,135,000</u> | <u>2,360,000</u> |
| Revenue bonds: | | | | | | | | | |
| Water | 12/3/2015 | 12/1/2035 | 1.0 to 4.0 | 15,090,000 | 14,535,000 | - | (560,000) | 13,975,000 | 585,000 |
| Sewer | 12/3/2015 | 12/1/2035 | 1.0 to 4.0 | 15,770,000 | 15,190,000 | - | (585,000) | 14,605,000 | 610,000 |
| Dayton International Airport | 12/30/2015 | 12/1/2035 | 3.0 to 5.0 | 21,545,000 | 20,855,000 | - | (780,000) | 20,075,000 | 810,000 |
| Dayton International Airport | 9/9/2014 | 12/01/2032 | 2.30 to 5.00 | 26,950,000 | 24,495,000 | - | (1,090,000) | 23,405,000 | 1,130,000 |
| Dayton International Airport | 12/15/2016 | 12/1/2041 | 3.0 to 5.0 | 33,050,000 | <u>33,050,000</u> | - | (610,000) | <u>32,440,000</u> | <u>610,000</u> |
| Total revenue bonds | | | | | <u>108,125,000</u> | <u>-</u> | <u>(3,625,000)</u> | <u>104,500,000</u> | <u>3,745,000</u> |
| Other long-term obligations | | | | | | | | | |
| Ohio water development authority loan | 01/01/2003 | 07/01/2023 | 3.80 to 3.95 | 15,079,710 | 6,031,338 | - | (863,616) | 5,167,722 | 897,134 |
| Ohio public works Commission loan | 07/01/1997 | 01/01/2020 | 0.00 | 1,000,000 | 200,000 | - | (50,000) | 150,000 | 50,000 |
| JOBS Ohio loan | 09/01/2016 | 04/01/2037 | 2.0 to 3.0 | 5,000,000 | 5,000,000 | - | (132,992) | 4,867,008 | 203,266 |
| Compensated absences payable | | | | | 3,778,385 | 2,368,161 | (2,410,553) | 3,735,993 | 2,387,721 |
| Net pension liability | | | | | <u>48,588,355</u> | <u>11,334,354</u> | <u>(454,679)</u> | <u>59,468,030</u> | <u>-</u> |
| Total other long-term obligations | | | | | <u>63,598,078</u> | <u>13,702,515</u> | <u>(3,911,840)</u> | <u>73,388,753</u> | <u>3,538,121</u> |
| Total business-type activities | | | | | <u>\$ 210,138,078</u> | <u>\$ 13,702,515</u> | <u>\$ (9,816,840)</u> | <u>214,023,753</u> | <u>\$ 9,643,121</u> |
| Add: unamortized bond premiums and discounts | | | | | | | | <u>4,003,523</u> | |
| Total on statement of net position | | | | | | | | <u>\$ 218,027,276</u> | |

Enterprise fund general obligation bonds were used for capital improvements related to water and sewer, and construction of a parking facility at the Dayton International Airport. The bonds will be paid from the water fund, the sewer fund and the Dayton International Airport fund, respectively.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

On July 28, 2009, the City issued taxable general obligation bonds (Series 2009 Dayton International Airport parking garage bonds) for the acquisition, construction, furnishing and equipping of airport improvements, including parking facilities. The issue is comprised of current interest bonds, par value \$10,820,000. The interest rates on the current interest bonds range from 1.75 - 6.50%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2029. During 2015, the City issued general obligation bonds (Series 2015 refunding bonds) to refund a portion of the Series 2009 Dayton International Airport parking garage bonds. The balance of the refunded series 2009 bonds was \$7,275,000.

On December 3, 2015, the City issued airport refunding bonds (Series 2015 Airport Refunding Bonds), par value \$8,045,000. The interest rates on the current interest bonds range from 1.0 – 4.0%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The proceeds was used to advance refund a portion of the Series 2009 Dayton Internal Airport parking garage bonds. The issuance proceeds were deposited into an 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 2009 bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,236,884. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

On December 3, 2015 the City issued \$15,090,000 in water revenue bonds. The interest rates on the current interest bonds range from 1.0% to 4.0%. The City has pledged future water revenues, net of specified operating expenses, to repay the Series 2015 water system revenue bonds. The proceeds were used for water capital improvements. The Series 2015 revenue bonds are payable solely from revenues in the water fund and are payable through 2035. Annual principal and interest payments on the bonds are expected to require 16.38 percent of net customer revenues. The total principal and interest remaining to be paid on the Series 2015 revenue bonds is \$19,417,687. Principal and interest paid for the current year and total customer net revenues were \$1,077,312 and \$6,579,315, respectively.

On December 3, 2015, the City issued \$15,770,000 in sewer revenue bonds. The interest rates on the current interest bonds range from 1.0% to 4.0%. The City has pledged future sewer revenues, net of specified operating expenses, to repay the Series 2015 sewer system revenue bonds. The proceeds were used for sewer capital improvements. The Series 2015 revenue bonds are payable solely from revenues in the sewer fund and are payable through 2035. Annual principal and interest payments on the bonds are expected to require 12.66 percent of net customer revenues. The total principal and interest remaining to be paid on the Series 2015 revenue bonds is \$20,295,210. Principal and interest paid for the current year and total customer net revenues were \$1,125,612 and \$8,890,092, respectively.

On December 30, 2015, the City issued \$21,545,000 in Airport revenue bonds. The interest rates on the current interest bonds range from 3.0% to 5.0%. The City has pledged future airport revenues, net of specified operating expenses, to repay the Series 2015 Airport revenue bonds. The proceeds were used for the acquisition and construction of airport improvements. The Series 2015 revenue bonds are payable solely from revenues from the airport fund and are payable through 2035.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

On December 15, 2016, the City issued \$33,050,000 in Airport revenue bonds. The interest rates on the current interest bonds range from 3.0% to 5.0%. The City has pledged future airport revenues, net of specified operating expenses, to repay the Series 2016 Airport revenue bonds. The proceeds were used for the acquisition and construction of airport improvements. The Series 2016 revenue bonds are payable solely from revenues from the airport fund and are payable through 2041.

On September 9, 2014, the City issued airport revenue bonds (Series 2014 Bonds), par value \$26,950,000. The proceeds were used to advance refund the Series 2003A and 2003C revenue bonds. The issuance proceeds were deposited into an 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 2003A and 2003C bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2003A and 2003C airport revenue bonds at December 31, 2017 is \$24,825,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$534,479. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The City has pledged future airport revenues, net of specified operating expenses, to repay the Series 2014, 2015 and 2016 airport revenue bonds. The Series 2014, 2015, and 2016 airport revenue bonds are payable solely from airport net revenues and are payable through 2041. Annual principal and interest payments on the bonds are expected to require 57.19 percent of net customer revenues. Net customer revenues included both PFC and CFC charges that were used for debt service. The total principal and interest remaining to be paid on the Series 2014, 2015 and 2016 airport revenue bonds is \$114,288,069. Principal and interest paid for the current year and total customer net revenues were \$5,866,657 and \$9,973,531, respectively.

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, 2017, the City had outstanding borrowings of \$5,167,722 through OWDA.

The City has pledged future sewer revenues to repay OWDA loans. The loans are payable solely from sewer fund revenues and are payable through 2023. Annual principal and interest payments on the loans are expected to require 12.98 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$5,634,309. Principal and interest paid for the current year were \$1,045,502 and customer net revenues were \$6,579,315.

In 1997, the City 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.

In 2016, the City was granted a \$5,000,000 loan from Jobs Ohio. The purpose of the loan is to build a maintenance hangar at the airport. The loan is being paid out of Dayton International Airport fund. The final maturity is April 1, 2037 and the interest rate on the loan is 2 to 3 percent.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences will be paid from the fund from which the employees' salaries are paid which are the Dayton International Airport fund, the Water fund, the Sewer fund, the Storm Water fund and the Golf fund.

See Note 17 for detail on the net pension liability.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2017 for the business-type activities.

| Year Ending December 31, | Revenue Bonds | | | General Obligation Bonds | | |
|-----------------------------|-----------------------|----------------------|-----------------------|--------------------------|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 3,745,000 | \$ 4,203,310 | \$ 7,948,310 | \$ 2,360,000 | \$ 1,366,075 | \$ 3,726,075 |
| 2019 | 4,130,000 | 4,055,061 | 8,185,061 | 2,420,000 | 1,269,426 | 3,689,426 |
| 2020 | 4,285,000 | 3,893,560 | 8,178,560 | 2,505,000 | 1,184,474 | 3,689,474 |
| 2021 | 4,430,000 | 3,754,786 | 8,184,786 | 2,500,000 | 1,102,275 | 3,602,275 |
| 2022 | 4,560,000 | 3,625,287 | 8,185,287 | 2,055,000 | 1,006,213 | 3,061,213 |
| 2023 - 2027 | 25,330,000 | 15,580,395 | 40,910,395 | 11,560,000 | 3,729,812 | 15,289,812 |
| 2028 - 2032 | 31,160,000 | 9,747,996 | 40,907,996 | 11,265,000 | 1,413,345 | 12,678,345 |
| 2033 - 2037 | 18,810,000 | 3,840,272 | 22,650,272 | 1,470,000 | 138,093 | 1,608,093 |
| 2038 - 2042 | 8,050,000 | 962,788 | 9,012,788 | - | - | - |
| Totals | <u>\$ 104,500,000</u> | <u>\$ 49,663,455</u> | <u>\$ 154,163,455</u> | <u>\$ 36,135,000</u> | <u>\$ 11,209,713</u> | <u>\$ 47,344,713</u> |

| Year Ending December 31, | OWDA Loan | | | OPWC Loan | | |
|-----------------------------|---------------------|-------------------|---------------------|-------------------|-------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 897,134 | \$ 148,368 | \$ 1,045,502 | \$ 50,000 | \$ - | \$ 50,000 |
| 2019 | 931,950 | 121,195 | 1,053,145 | 50,000 | - | 50,000 |
| 2020 | 968,119 | 92,968 | 1,061,087 | 50,000 | - | 50,000 |
| 2021 | 1,005,692 | 63,645 | 1,069,337 | - | - | - |
| 2022 | 1,044,725 | 33,185 | 1,077,910 | - | - | - |
| 2023 - 2026 | 320,102 | 7,226 | 327,328 | - | - | - |
| Totals | <u>\$ 5,167,722</u> | <u>\$ 466,587</u> | <u>\$ 5,634,309</u> | <u>\$ 150,000</u> | <u>\$ -</u> | <u>\$ 150,000</u> |

| Year Ending December 31, | JOBS Ohio | | |
|-----------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2018 | \$ 203,266 | \$ 95,485 | \$ 298,751 |
| 2019 | 207,886 | 91,378 | 299,264 |
| 2020 | 212,614 | 87,176 | 299,790 |
| 2021 | 217,444 | 82,879 | 300,323 |
| 2022 | 222,388 | 78,483 | 300,871 |
| 2023 - 2027 | 1,182,183 | 341,058 | 1,523,241 |
| 2028 - 2032 | 1,305,315 | 299,563 | 1,604,878 |
| 2033 - 2037 | 1,315,912 | 89,183 | 1,405,095 |
| Totals | <u>\$ 4,867,008</u> | <u>\$ 1,165,205</u> | <u>\$ 6,032,213</u> |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 2017, 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 |
| Excess of Airport Policy | 50,000,000 |
| Property | 928,776,387 |
| General Liability (North West Railway) | 10,000,000 |
| Commercial Liability (Convention Center) | 2,000,000 |
| Tenant Liability (Convention Center) | 1,000,000 |
| Errors and Omissions (Ambulance Attendants) | 3,000,000 |
| Errors and Omissions (Municipal Court) | 500,000 |
| Dayton Municipal Clerk of Courts Bonds | 27,000 |
| Clerk of Courts Crime Coverage/Bonds | 2,000,000 |
| Garagekeepers: Liability | 2,000,000 |
| Garagekeepers: Test Driving | 1,000,000 |
| General Liability (Zion Cultural Center) | 2,000,000 |
| Excess Umbrella Coverage (Zion Cultural Center) | 2,000,000 |
| General Liability | |
| (Community Service Program for Dayton Municipal Court) | 5,000,000 |
| (Community Service Program for Dayton Municipal Court - | |
| Additional various coverages) | 100,000 |
| Travel (AD&D) | 100,000,000 |
| Executive Management Liability Policy | 1,000,000 |
| Employment Practices Liability | 2,000,000 |
| Public Officials Bond | 27,000 |
| Schedule Positions/Bonds | 2,500,000 |

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, there were \$3,155 in outstanding claims pending that are reported as a component of claimants payable in the general fund. Claims activity for 2017 and 2016 are as follows:

| <u>Year</u> | <u>Balance at Beginning of Year</u> | <u>Current Year Claims</u> | <u>Claim Payments</u> | <u>Balance at End of Year</u> |
|-------------|-----------------------------------------|--------------------------------|---------------------------|-----------------------------------|
| 2017 | \$ 170,891 | \$ 282,970 | \$ (450,706) | \$ 3,155 |
| 2016 | 102,070 | 68,821 | - | 170,891 |

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. After ten years, 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 \$3,478,945 reported at December 31, 2017, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$3,478,945 claims liability, \$1,152,053 of the liability is due within one year and is reported as a current liability in the statement of net position for the proprietary funds. The remaining portion is a noncurrent liability of \$2,326,892. 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, 2017

NOTE 15 - RISK MANAGEMENT - (Continued)

Changes in the funds' claims liability amount in 2017 and 2016 were as follows:

| <u>Year</u> | <u>Beginning of Year</u> | <u>Claims</u> | <u>Payments</u> | <u>End of Year</u> |
|-------------|--------------------------|---------------|-----------------|--------------------|
| 2017 | \$ 3,502,343 | \$ 2,442,411 | \$ (2,465,809) | \$ 3,478,945 |
| 2016 | 4,828,684 | 1,129,914 | (2,456,255) | 3,502,343 |

C. Health Insurance

On January 1, 2012, the City became self-insured for medical and prescription drug benefits (the "Program"). The Program is administered through a third-party administrator who manages and processes the claims. The City makes required payments to the third-party administrator to reimburse them for the claim payments. The City's stop-loss coverage through the Program is limited to \$200,000 per claim with a stop-loss annual coverage aggregate that is 115% of the expected annual claims amounts in the Program. The city has reported a liability in both the health insurance internal service fund and government-wide financial statements amounting to \$2,590,014 for the claims payable liability.

Changes in the claims payable liability in 2017 and 2016 were as follows:

| <u>Year</u> | <u>Balance at Beginning of Year</u> | <u>Current Year Claims</u> | <u>Claim Payments</u> | <u>Balance at End of Year</u> |
|-------------|-------------------------------------|----------------------------|-----------------------|-------------------------------|
| 2017 | \$ 2,426,282 | \$ 23,901,147 | \$ (23,737,415) | \$ 2,590,014 |
| 2016 | 2,696,249 | 20,039,236 | (20,309,203) | 2,426,282 |

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, compensatory time and sick leave components are derived from negotiated agreements, personnel policies and State laws. Vacation time is accrued at the rate of one credit per month, plus one to ten additional credits per year for all employees except police, who receive up to 12 additional days per year, depending upon the length of service. A credit is generally equal to one complete work shift of eight (8) hours, but maybe worth additional periods for fire personnel. The maximum accrual which can be carried forward into January is thirty credits. Accumulated unused vacation time is paid to employees upon separation from the City.

Compensatory time off in lieu of overtime pay is an option given to uniformed Police and Fire Personnel under union contract. It is given on the basis of time and one-half for actual hours worked. Police officers, sergeants, and lieutenants may use up to 136 hours in any year, and accumulate up to 272 hours in any year. An employee may only carry forward 136 hours in a calendar year. 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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 - OTHER EMPLOYEE BENEFITS - (Continued)

Sick leave is accrued at the rate of one and one-fourth credits per month. The maximum sick leave accrual which can be carried forward into January is 125 credits. Accrued sick leave in excess of 125 credits must be converted to vacation credits in January at the rate of two sick leave days for one vacation day. A credit is generally equal to one complete work shift of eight (8) hours, but may be worth additional periods for fire personnel. Upon retirement, payment may be made for one-half of the total sick leave accumulation, up to a maximum of 140 days.

B. Insurance Benefits

The City is self-insured for medical benefits through Anthem Blue Cross/Blue Shield Health Maintenance insurance plans as described in Note 15.C. Dental insurance is provided to employees through Superior and Ohio AFSCME Care. Group Life and Accidental Death and Dismemberment insurance is provided to employees through Hartford Life and Accident Insurance Company. The City provided life insurance coverage amounts range from \$20,000 to \$300,000 according to employee position and employees may purchase additional supplemental coverage.

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 separation from the City, retirement, death or an unforeseeable emergency.

NOTE 17- DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Group A | Group B | Group C |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--------------------------------------------------|--------------------|
| 2017 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2017 Actual Contribution Rates | |
| Employer: | |
| Pension | 13.0 % |
| Post-employment Health Care Benefits | 1.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$10,130,769 for 2017. Of this amount, \$792,451 is reported as due to other governments.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | <u>Police</u> | <u>Firefighters</u> |
|--------------------------------------------------|----------------|---------------------|
| 2017 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2017 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | <u>0.50 %</u> | <u>0.50 %</u> |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$10,052,375 for 2017. Of this amount \$751,368 is reported as due to other governments.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS - Traditional</u> | <u>OPERS - Combined</u> | <u>OPERS - Member- Directed</u> | <u>OP&F</u> | <u>Total</u> |
|------------------------------------------------------------------------|--------------------------------|-----------------------------|-----------------------------------------|---------------------|----------------|
| Proportion of the net pension liability/asset prior measurement date | 0.56739400% | 0.50686000% | 0.42431400% | 2.20264200% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.55580000%</u> | <u>0.53334000%</u> | <u>0.48113200%</u> | <u>2.16452900%</u> | |
| Change in proportionate share | <u>-0.01159400%</u> | <u>0.02648000%</u> | <u>0.05681800%</u> | <u>-0.03811300%</u> | |
| Proportionate share of the net pension liability | \$ 126,212,728 | \$ - | \$ - | \$ 137,099,085 | \$ 263,311,813 |
| Proportionate share of the net pension asset | - | (296,840) | (2,004) | - | (298,844) |
| Pension expense | 26,708,824 | 214,458 | 2,471 | 16,291,903 | 43,217,656 |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|------------------------------------------------------------------------------------------|------------------------|---------------------|--------------------------------|----------------------|----------------------|
| Deferred outflows of resources | | | | | |
| Differences between expected and actual experience | \$ 171,071 | \$ - | \$ 20,403 | \$ 38,788 | \$ 230,262 |
| Net difference between projected and actual earnings on pension plan investments | 18,795,990 | 72,424 | 1,725 | 13,332,283 | 32,202,422 |
| Changes of assumptions | 20,018,862 | 72,346 | 2,254 | - | 20,093,462 |
| Changes in employer's proportionate percentage/difference between employer contributions | 304,167 | - | - | - | 304,167 |
| City contributions subsequent to the measurement date | 9,551,000 | 303,025 | 276,744 | 10,052,375 | 20,183,144 |
| Total deferred outflows of resources | <u>\$ 48,841,090</u> | <u>\$ 447,795</u> | <u>\$ 301,126</u> | <u>\$ 23,423,446</u> | <u>\$ 73,013,457</u> |
| Deferred inflows of resources | | | | | |
| Differences between expected and actual experience | \$ 751,154 | \$ 151,814 | \$ - | \$ 315,658 | \$ 1,218,626 |
| Changes in employer's proportionate percentage/difference between employer contributions | 1,052,513 | - | - | 3,021,124 | 4,073,637 |
| Total deferred inflows of resources | <u>\$ 1,803,667</u> | <u>\$ 151,814</u> | <u>\$ -</u> | <u>\$ 3,336,782</u> | <u>\$ 5,292,263</u> |

\$20,183,144 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a change of the net pension liability/asset in the year ending December 31, 2018.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--------------------------|------------------------|---------------------|--------------------------------|----------------------|----------------------|
| 2018 | \$ 15,506,971 | \$ 14,067 | \$ 3,572 | \$ 4,398,122 | \$ 19,922,732 |
| 2019 | 15,890,035 | 14,065 | 3,572 | 4,398,122 | 20,305,794 |
| 2020 | 6,640,371 | 10,933 | 3,458 | 3,189,930 | 9,844,692 |
| 2021 | (550,954) | (14,729) | 2,808 | (1,523,013) | (2,085,888) |
| 2022 | - | (12,022) | 2,921 | (395,680) | (404,781) |
| Thereafter | - | (19,358) | 8,051 | (33,192) | (44,499) |
| Total | <u>\$ 37,486,423</u> | <u>\$ (7,044)</u> | <u>\$ 24,382</u> | <u>\$ 10,034,289</u> | <u>\$ 47,538,050</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

| | |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wage inflation | 3.25% |
| Future salary increases, including inflation COLA or ad hoc COLA | 3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple |
| Investment rate of return | 7.50% |
| Actuarial cost method | Individual entry age |

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|-------------------------------------------------------------------------------|
| Fixed income | 23.00 % | 2.75 % |
| Domestic equities | 20.70 | 6.34 |
| Real estate | 10.00 | 4.75 |
| Private equity | 10.00 | 8.97 |
| International equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | <u>100.00 %</u> | <u>5.66 %</u> |

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 192,818,136 | \$ 126,212,728 | \$ 70,708,876 |
| Combined Plan | 21,334 | (296,840) | (544,007) |
| Member-Directed Plan | 4,811 | (2,004) | (4,811) |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

| | |
|----------------------------|------------------------|
| Valuation date | January 1, 2016 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8.25% |
| Projected salary increases | 4.25% - 11.00% |
| Payroll increases | 3.75% |
| Inflation assumptions | 3.25% |
| Cost of living adjustments | 2.60% and 3.00% simple |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Asset Class | Target Allocation | 10 Year Expected Real Rate of Return ** | 30 Year Expected Real Rate of Return ** |
|-----------------------------|----------------------|--------------------------------------------|--------------------------------------------|
| Cash and Cash Equivalents | - % | | |
| Domestic Equity | 16.00 | 4.46 % | 5.21 % |
| Non-US Equity | 16.00 | 4.66 | 5.40 |
| Core Fixed Income * | 20.00 | 1.67 | 2.37 |
| Global Inflation | | | |
| Protected Securities * | 20.00 | 0.49 | 2.33 |
| High Yield | 15.00 | 3.33 | 4.48 |
| Real Estate | 12.00 | 4.71 | 5.65 |
| Private Markets | 8.00 | 7.31 | 7.99 |
| Timber | 5.00 | 6.87 | 6.87 |
| Master Limited Partnerships | 8.00 | 6.92 | 7.36 |
| Total | 120.00 % | | |

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 182,599,748 | \$ 137,099,085 | \$ 98,536,673 |

NOTE 18 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 18- POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$868,700, \$1,592,485, and \$1,479,410, respectively; 92.80% has been contributed for 2017 and 100% has been contributed for 2016 and 2017. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 18- POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$133,381 and \$106,040 for the year ended December 31, 2017, \$129,968 and \$104,282 for the year ended December 31, 2016, and \$135,078 and \$102,504, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 92.62% has been contributed for police and 92.78% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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, 2017

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The adjustments necessary to convert the results of operations of the general fund for the year ended December 31, 2017, on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance

| | <u>General</u> |
|---------------------------------------|----------------------------|
| Budget basis | \$ (1,629,775) |
| Net adjustment for revenues | 1,765,941 |
| Net adjustment for expenditures | (11,015,514) |
| Net adjustment for other sources/uses | (1) |
| Adjustment for encumbrances | <u>10,215,713</u> |
| GAAP basis | <u><u>\$ (663,636)</u></u> |

NOTE 20 - COMMITMENTS

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

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| General fund | \$ 9,130,237 |
| Debt service | 45,428 |
| Capital improvement | 9,087,869 |
| Nonmajor governmental | <u>14,699,645</u> |
| Total | <u><u>\$ 32,963,179</u></u> |

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 21 - FUND BALANCE

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

| Fund balance | General | Debt Service Fund | Capital Improvement Fund | Governmental Funds | Governmental Funds |
|------------------------------------|----------------------|----------------------|-----------------------------|-----------------------|-----------------------|
| Nonspendable: | | | | | |
| Prepays | \$ 831,230 | \$ - | \$ - | \$ - | \$ 831,230 |
| Materials and supplies inventory | - | - | - | 654,765 | 654,765 |
| Perpetual care | - | - | - | 102,228 | 102,228 |
| Loans receivable | 2,658,691 | - | - | - | 2,658,691 |
| Unclaimed monies | <u>715,020</u> | - | - | - | <u>715,020</u> |
| Total nonspendable | <u>4,204,941</u> | - | - | <u>756,993</u> | <u>4,961,934</u> |
| Restricted: | | | | | |
| Street and highway programs | - | - | - | 2,722,555 | 2,722,555 |
| Special projects | - | - | - | 3,499,570 | 3,499,570 |
| Housing and urban development | - | - | - | 5,956,730 | 5,956,730 |
| Debt service | - | 28,241,475 | - | - | 28,241,475 |
| Capital projects | - | - | 5,126,467 | - | 5,126,467 |
| Other purposes | - | - | - | 1,208,768 | 1,208,768 |
| Permanent fund | - | - | - | <u>81,160</u> | <u>81,160</u> |
| Total restricted | - | <u>28,241,475</u> | <u>5,126,467</u> | <u>13,468,783</u> | <u>46,836,725</u> |
| Committed: | | | | | |
| Capital projects | - | - | 7,284,916 | - | 7,284,916 |
| Community development | 86,298 | - | - | - | 86,298 |
| Economic development | 75,761 | - | - | - | 75,761 |
| Leadership and quality of life | 1,211,706 | - | - | - | 1,211,706 |
| Corporate responsibility | 334,216 | - | - | - | 334,216 |
| Other purposes | 509,553 | - | - | - | 509,553 |
| Public safety | 578,703 | - | - | - | 578,703 |
| Special assessments | - | 422,416 | - | - | 422,416 |
| Total committed | <u>2,796,237</u> | <u>422,416</u> | <u>7,284,916</u> | - | <u>10,503,569</u> |
| Assigned: | | | | | |
| Downtown | 1,425 | - | - | - | 1,425 |
| Community development | 14,346 | - | - | - | 14,346 |
| Economic development | 7,953 | - | - | - | 7,953 |
| Leadership and quality of life | 53,633 | - | - | - | 53,633 |
| Corporate responsibility | 42,228 | - | - | - | 42,228 |
| Public safety | 23,246 | - | - | - | 23,246 |
| Special payroll | 1,493,085 | - | - | - | 1,493,085 |
| Termination pay | 3,130,591 | - | - | - | 3,130,591 |
| Unemployment | 1,038,686 | - | - | - | 1,038,686 |
| Other purposes | 394,525 | - | - | - | 394,525 |
| Demolition | 688,893 | - | - | - | 688,893 |
| Police professional development | 91,091 | - | - | - | 91,091 |
| HRC Special Projects | 14,807 | - | - | - | 14,807 |
| Sunrise Bomberger Center | 200,546 | - | - | - | 200,546 |
| Community policing council (CIRGV) | 28,985 | - | - | - | 28,985 |
| Mediation center | 26,692 | - | - | - | 26,692 |
| Professional development | 121,419 | - | - | - | 121,419 |
| Nationwide settlement | 246,789 | - | - | - | 246,789 |
| Judgments | 1,246,694 | - | - | - | 1,246,694 |
| Development | 4,683,982 | - | - | - | 4,683,982 |
| Real estate development | 520,430 | - | - | - | 520,430 |
| Subsequent year appropriations | 8,469,000 | - | - | - | 8,469,000 |
| Capital projects | - | - | 7,070,596 | - | 7,070,596 |
| Total assigned | <u>22,539,046</u> | - | <u>7,070,596</u> | - | <u>29,609,642</u> |
| Unassigned | <u>32,724,803</u> | - | - | - | <u>32,724,803</u> |
| Total fund balances | <u>\$ 62,265,027</u> | <u>\$ 28,663,891</u> | <u>\$ 19,481,979</u> | <u>\$ 14,225,776</u> | <u>\$ 124,636,673</u> |

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017 to December 31, 2017, 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 – SUBSEQUENT EVENT

On May 23, 2018 the City authorized an internal borrowing of up to \$10 million to be loaned in support of the Arcade Project. Further, the City authorized an early release of a portion of the loan in an amount not to exceed \$2 million in accordance with the terms and conditions of the Development Agreement. The \$10 million loan is part of a New Markets Tax Credit structure and will not be executed until and if the Arcade financing closes, which is expected to occur in the late summer or early fall of 2018. The \$2 million early release will be expensed by the City until such time that the full closing occurs. At that time any funds expended in the early release will be reversed and will be incorporated in the total loan amount.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------------------------------------------------------------------------------------|----------------|---------------|---------------|---------------|
| <i>Traditional Plan:</i> | | | | |
| City's proportion of the net pension liability | 0.555800% | 0.567394% | 0.560246% | 0.560246% |
| City's proportionate share of the net pension liability | \$ 126,212,728 | \$ 98,279,795 | \$ 67,571,930 | \$ 66,045,704 |
| City's covered payroll | \$ 71,961,283 | \$ 72,324,850 | \$ 67,411,033 | \$ 66,466,608 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 175.39% | 135.89% | 100.24% | 99.37% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.25% | 81.08% | 86.45% | 86.36% |
| <i>Combined Plan:</i> | | | | |
| City's proportion of the net pension asset | 0.533340% | 0.506860% | 0.475603% | 0.475603% |
| City's proportionate share of the net pension asset | \$ 296,841 | \$ 246,649 | \$ 183,119 | \$ 49,906 |
| City's covered payroll | \$ 2,073,725 | \$ 1,645,667 | \$ 1,738,508 | \$ 1,438,292 |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 14.31% | 14.99% | 10.53% | 3.47% |
| Plan fiduciary net position as a percentage of the total pension asset | 116.55% | 116.90% | 114.83% | 104.56% |
| <i>Member Directed Plan:</i> | | | | |
| City's proportion of the net pension asset | 0.481132% | 0.424314% | n/a | n/a |
| City's proportionate share of the net pension asset | \$ 2,004 | \$ 1,622 | n/a | n/a |
| City's covered payroll | \$ 2,484,105 | \$ 2,984,958 | n/a | n/a |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 0.08% | 0.05% | n/a | n/a |
| Plan fiduciary net position as a percentage of the total pension asset | 103.40% | 103.91% | n/a | n/a |

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

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

| | LAST FOUR YEARS | | | |
|------------------------------------------------------------------------------------------------|-----------------|----------------|----------------|----------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| City's proportion of the net pension liability | 2.16452900% | 2.20264200% | 2.41510400% | 2.24151040% |
| City's proportionate share of the net pension liability | \$ 137,099,085 | \$ 141,697,531 | \$ 116,119,585 | \$ 109,168,588 |
| City's covered payroll | \$ 46,850,076 | \$ 46,805,467 | \$ 42,914,752 | \$ 43,695,379 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 292.63% | 302.74% | 270.58% | 249.84% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.36% | 66.77% | 72.20% | 73.00% |

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

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 9,551,000 | \$ 8,635,354 | \$ 8,678,982 | \$ 8,089,324 |
| Contributions in relation to the contractually required contribution | <u>(9,551,000)</u> | <u>(8,635,354)</u> | <u>(8,678,982)</u> | <u>(8,089,324)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 73,469,231 | \$ 71,961,283 | \$ 72,324,850 | \$ 67,411,033 |
| Contributions as a percentage of covered payroll | 13.00% | 12.00% | 12.00% | 12.00% |
| <i>Combined Plan:</i> | | | | |
| Contractually required contribution | \$ 303,025 | \$ 248,847 | \$ 197,480 | \$ 208,621 |
| Contributions in relation to the contractually required contribution | <u>(303,025)</u> | <u>(248,847)</u> | <u>(197,480)</u> | <u>(208,621)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 2,330,962 | \$ 2,073,725 | \$ 1,645,667 | \$ 1,738,508 |
| Contributions as a percentage of covered payroll | 13.00% | 12.00% | 12.00% | 12.00% |
| <i>Member Directed Plan:</i> | | | | |
| Contractually required contribution | \$ 276,744 | \$ 235,990 | \$ 283,571 | |
| Contributions in relation to the contractually required contribution | <u>(276,744)</u> | <u>(235,990)</u> | <u>(283,571)</u> | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| City's covered payroll | \$ 2,767,440 | \$ 2,484,105 | \$ 2,984,958 | |
| Contributions as a percentage of covered payroll | 10.00% | 9.50% | 9.50% | |

Note: Information prior to 2010 was unavailable for the combined plan.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 8,640,659 | \$ 6,878,420 | \$ 6,823,221 | \$ 6,488,756 | \$ 6,536,423 | \$ 5,847,515 |
| <u>(8,640,659)</u> | <u>(6,878,420)</u> | <u>(6,823,221)</u> | <u>(6,488,756)</u> | <u>(6,536,423)</u> | <u>(5,847,515)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 66,466,608 | \$ 68,784,200 | \$ 68,232,210 | \$ 72,771,095 | \$ 80,448,283 | \$ 83,535,929 |
| 13.00% | 10.00% | 10.00% | 8.92% | 8.13% | 7.00% |
| \$ 186,978 | \$ 98,164 | \$ 105,120 | \$ 118,154 | \$ - | \$ - |
| <u>(186,978)</u> | <u>(98,164)</u> | <u>(105,120)</u> | <u>(118,154)</u> | <u>-</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,438,292 | \$ 1,234,767 | \$ 1,322,264 | \$ 1,219,759 | \$ - | \$ - |
| 13.00% | 7.95% | 7.95% | 9.69% | | |

CITY OF DAYTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <i>Police:</i> | | | | |
| Contractually required contribution | \$ 5,068,477 | \$ 4,938,796 | \$ 4,997,877 | \$ 4,599,130 |
| Contributions in relation to the contractually required contribution | <u>(5,068,477)</u> | <u>(4,938,796)</u> | <u>(4,997,877)</u> | <u>(4,599,130)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 26,676,195 | \$ 25,993,663 | \$ 26,304,616 | \$ 24,205,947 |
| Contributions as a percentage of covered payroll | 19.00% | 19.00% | 19.00% | 19.00% |
| <i>Fire:</i> | | | | |
| Contractually required contribution | \$ 4,983,898 | \$ 4,901,257 | \$ 4,817,700 | \$ 4,396,569 |
| Contributions in relation to the contractually required contribution | <u>(4,983,898)</u> | <u>(4,901,257)</u> | <u>(4,817,700)</u> | <u>(4,396,569)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 21,208,077 | \$ 20,856,413 | \$ 20,500,851 | \$ 18,708,804 |
| Contributions as a percentage of covered payroll | 23.50% | 23.50% | 23.50% | 23.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 3,876,616 | \$ 3,123,636 | \$ 3,108,863 | \$ 3,524,787 | \$ 3,327,952 | \$ 3,547,664 |
| <u>(3,876,616)</u> | <u>(3,123,636)</u> | <u>(3,108,863)</u> | <u>(3,524,787)</u> | <u>(3,327,952)</u> | <u>(3,547,664)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 24,406,816 | \$ 24,499,106 | \$ 24,383,239 | \$ 27,645,388 | \$ 26,101,584 | \$ 27,824,816 |
| 15.88% | 12.75% | 12.75% | 12.75% | 12.75% | 12.75% |
| | | | | | |
| \$ 3,931,652 | \$ 3,466,063 | \$ 3,403,911 | \$ 3,930,474 | \$ 3,821,620 | \$ 3,953,996 |
| <u>(3,931,652)</u> | <u>(3,466,063)</u> | <u>(3,403,911)</u> | <u>(3,930,474)</u> | <u>(3,821,620)</u> | <u>(3,953,996)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 19,288,563 | \$ 20,093,119 | \$ 19,732,817 | \$ 22,785,357 | \$ 22,154,319 | \$ 22,921,716 |
| 20.38% | 17.25% | 17.25% | 17.25% | 17.25% | 17.25% |

CITY OF DAYTON, OHIO

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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



Combining Statements and Schedules

**COMBINING STATEMENTS
AND SCHEDULES**


DAYTON

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**COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

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, 2017

| | Budgeted Amounts | | Actual | Variance with |
|------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------------------------|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Municipal income taxes | \$ 122,291,100 | \$ 122,291,100 | \$ 122,370,400 | \$ 79,300 |
| Property and other taxes | 6,002,200 | 6,002,200 | 6,058,502 | 56,302 |
| State shared taxes | 7,096,900 | 7,096,900 | 6,527,388 | (569,512) |
| Charges for services | 27,297,800 | 27,297,800 | 25,273,233 | (2,024,567) |
| Licenses and permits | 1,829,100 | 1,829,100 | 1,721,640 | (107,460) |
| Fines and forfeitures | 706,600 | 990,200 | 654,733 | (335,467) |
| Intergovernmental | 3,922,300 | 3,922,300 | 4,197,188 | 274,888 |
| Special assessments | 550,000 | 550,000 | 169,124 | (380,876) |
| Investment income | 2,475,200 | 2,475,200 | 2,357,894 | (117,306) |
| Other | 2,935,100 | 3,774,600 | 4,492,321 | 717,721 |
| Total revenues | 175,106,300 | 176,229,400 | 173,822,423 | (2,406,977) |
| Expenditures: | | | | |
| General operating: | | | | |
| General government: | | | | |
| Clerk of commission | 1,265,100 | 1,270,100 | 1,232,550 | 37,550 |
| Civil service board | 1,642,900 | 1,475,900 | 1,403,264 | 72,636 |
| Human relations council | 807,000 | 807,000 | 799,245 | 7,755 |
| City manager's office | 1,374,500 | 1,344,500 | 1,253,431 | 91,069 |
| Department of public affairs | 772,500 | 797,800 | 756,443 | 41,357 |
| Department of planning & community development | 2,783,900 | 2,748,900 | 2,600,515 | 148,385 |
| Clerk of courts | 3,564,400 | 3,464,400 | 3,384,401 | 79,999 |
| Municipal court | 4,386,000 | 4,306,000 | 4,205,949 | 100,051 |
| Office of economic development | 3,121,300 | 3,380,300 | 3,187,161 | 193,139 |
| Department of management and budget | 1,051,000 | 921,000 | 876,650 | 44,350 |
| Department of water | 92,100 | 92,100 | 90,140 | 1,960 |
| Department of law | 2,760,200 | 2,600,200 | 2,513,949 | 86,251 |
| Department of finance | 3,047,300 | 2,882,800 | 2,847,634 | 35,166 |
| Department of human resources | 1,116,800 | 1,073,800 | 1,064,618 | 9,182 |
| Department of central services | 14,544,900 | 14,025,700 | 13,900,445 | 125,255 |
| Department of police | 50,495,500 | 50,425,200 | 49,594,285 | 830,915 |
| Department of fire | 39,507,900 | 39,864,400 | 39,182,889 | 681,511 |
| Department of public works | 17,575,200 | 17,520,400 | 17,035,277 | 485,123 |
| Department of recreation and youth services | 6,015,800 | 5,970,800 | 5,733,073 | 237,727 |
| Non-departmental | 2,225,200 | 1,607,800 | 1,082,000 | 525,800 |
| Special projects | 14,213,000 | 13,280,700 | 12,531,883 | 748,817 |
| Debt service: | | | | |
| Principal retirement | 72,600 | 72,600 | 74,682 | (2,082) |
| Interest and fiscal charges | 4,400 | 4,400 | 2,240 | 2,160 |
| Total expenditures | 172,439,500 | 169,936,800 | 165,352,724 | 4,584,076 |
| Excess (deficiency) of revenues over (under) expenditures | 2,666,800 | 6,292,600 | 8,469,699 | 2,177,099 |
| Other financing uses: | | | | |
| Transfers (out) | (7,190,800) | (10,172,100) | (10,099,474) | 72,626 |
| Total other financing (uses) | (7,190,800) | (10,172,100) | (10,099,474) | 72,626 |
| Net change in fund balances | (4,524,000) | (3,879,500) | (1,629,775) | 2,249,725 |
| Fund balance at beginning of year | 59,049,610 | 59,049,610 | 59,049,610 | - |
| Prior year encumbrances appropriated | 7,662,551 | 7,662,551 | 7,662,551 | - |
| Fund balance at end of year | \$ 62,188,161 | \$ 62,832,661 | \$ 65,082,386 | \$ 2,249,725 |

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 for the general upkeep to ensure a safe and 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 throughout Dayton. Funds are provided by shared tax revenues and registration fees from the State of Ohio and Montgomery County, respectively.

Other Special Revenue

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

HUD Programs

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

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

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

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

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

Miscellaneous Grants

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

Nonmajor Permanent Fund

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

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

CITY OF DAYTON, OHIO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | Nonmajor Special Revenue Funds | Nonmajor Permanent Fund | Total Nonmajor Governmental Funds |
|-----------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------|--------------------------------------------------|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 7,565,585 | \$ 183,316 | \$ 7,748,901 |
| Receivables: | | | |
| Accounts | 199,838 | - | 199,838 |
| Special assessments | 8,455,556 | - | 8,455,556 |
| Accrued interest | 2,328 | 161 | 2,489 |
| Due from other funds | 1,920 | - | 1,920 |
| Due from other governments | 4,518,295 | - | 4,518,295 |
| Loans receivable | 6,172,699 | - | 6,172,699 |
| Materials and supplies inventory | 654,765 | - | 654,765 |
| Total assets | \$ 27,570,986 | \$ 183,477 | \$ 27,754,463 |
| Liabilities: | | | |
| Accounts payable | \$ 304,006 | \$ - | \$ 304,006 |
| Contracts payable | 542,633 | - | 542,633 |
| Accrued wages and benefits payable | 317,015 | - | 317,015 |
| Retainage payable | 66,223 | - | 66,223 |
| Compensated absences payable | 13,596 | - | 13,596 |
| Interfund loans payable | 1,170,000 | - | 1,170,000 |
| Due to other funds | 3,380 | - | 3,380 |
| Due to other governments | 99,857 | - | 99,857 |
| Total liabilities | 2,516,710 | - | 2,516,710 |
| Deferred inflows of resources: | | | |
| Accrued interest not available | 1,293 | 89 | 1,382 |
| Special assessments revenue not available | 8,455,556 | - | 8,455,556 |
| Miscellaneous revenue not available | 176,515 | - | 176,515 |
| Intergovernmental revenue not available | 2,378,524 | - | 2,378,524 |
| Total deferred inflows of resources | 11,011,888 | 89 | 11,011,977 |
| Fund Balances: | | | |
| Nonspendable | 654,765 | 102,228 | 756,993 |
| Restricted | 13,387,623 | 81,160 | 13,468,783 |
| Total fund balances | 14,042,388 | 183,388 | 14,225,776 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 27,570,986 | \$ 183,477 | \$ 27,754,463 |

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Nonmajor Special Revenue Funds | Nonmajor Permanent Fund | Total Nonmajor Governmental Funds |
|----------------------------------------------------|-----------------------------------------------|----------------------------------------|--------------------------------------------------|
| Revenues: | | | |
| State shared taxes. | \$ 5,577,504 | \$ - | \$ 5,577,504 |
| Charges for services. | 1,397,516 | - | 1,397,516 |
| Licenses and permits | 58,414 | - | 58,414 |
| Fines and forfeitures | 265,889 | - | 265,889 |
| Intergovernmental. | 10,104,063 | - | 10,104,063 |
| Special assessments | 2,768,644 | - | 2,768,644 |
| Investment income | 7,949 | 564 | 8,513 |
| Decrease in FMV of investments. | (2,084) | (210) | (2,294) |
| Other | 2,069,261 | - | 2,069,261 |
| Total revenues | <u>22,247,156</u> | <u>354</u> | <u>22,247,510</u> |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Community development and neighborhoods. | 7,909,115 | - | 7,909,115 |
| Economic development | 1,408,637 | - | 1,408,637 |
| Leadership and quality of life | 9,698,050 | - | 9,698,050 |
| Corporate responsibility. | 148,122 | - | 148,122 |
| Public safety and justice. | 3,295,362 | - | 3,295,362 |
| Capital outlay | 66,223 | - | 66,223 |
| Total expenditures. | <u>22,525,509</u> | <u>-</u> | <u>22,525,509</u> |
| Excess of revenues over expenditures. | <u>(278,353)</u> | <u>354</u> | <u>(277,999)</u> |
| Other financing sources: | | | |
| Transfers in | 438,074 | - | 438,074 |
| Total other financing sources | <u>438,074</u> | <u>-</u> | <u>438,074</u> |
| Net change in fund balances | 159,721 | 354 | 160,075 |
| Fund balances at beginning of year. | <u>13,882,667</u> | <u>183,034</u> | <u>14,065,701</u> |
| Fund balances at end of year | <u>\$ 14,042,388</u> | <u>\$ 183,388</u> | <u>\$ 14,225,776</u> |

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

| | <u>Street</u> | <u>Highway Maintenance</u> | <u>Other Special Revenue</u> |
|---------------------------------------------------------------------------------|---------------------|--------------------------------|--------------------------------------|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 1,464,369 | \$ 713,481 | \$ 3,622,228 |
| Receivables: | | | |
| Accounts | 56,319 | - | 119,294 |
| Special assessments | - | - | 8,320,166 |
| Accrued interest | - | - | 883 |
| Due from other funds | - | - | 1,920 |
| Due from other governments | 2,464,764 | 240,358 | 49,413 |
| Loans receivable | - | - | - |
| Materials and supplies inventory | 654,765 | - | - |
| Total assets | <u>\$ 4,640,217</u> | <u>\$ 953,839</u> | <u>\$ 12,113,904</u> |
| Liabilities: | | | |
| Accounts payable | \$ 131,143 | \$ 10,032 | \$ 52,344 |
| Contracts payable | 1,125 | - | 40,890 |
| Accrued wages and benefits payable | 123,345 | 4,898 | 42,289 |
| Retainage payable | - | - | 43,298 |
| Compensated absences payable | - | - | - |
| Interfund loans payable | - | - | - |
| Due to other funds | 610 | - | 1 |
| Due to other governments | - | - | 650 |
| Total liabilities | <u>256,223</u> | <u>14,930</u> | <u>179,472</u> |
| Deferred inflows of resources: | | | |
| Accrued interest not available | - | - | 490 |
| Special assessments revenue not available | - | - | 8,320,166 |
| Miscellaneous revenue not available | 56,244 | - | 97,471 |
| Intergovernmental revenue not available | 1,717,019 | 172,320 | 16,735 |
| Total deferred inflows of resources | <u>1,773,263</u> | <u>172,320</u> | <u>8,434,862</u> |
| Fund Balances: | | | |
| Nonspendable | 654,765 | - | - |
| Restricted | 1,955,966 | 766,589 | 3,499,570 |
| Total fund balances | <u>2,610,731</u> | <u>766,589</u> | <u>3,499,570</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 4,640,217</u> | <u>\$ 953,839</u> | <u>\$ 12,113,904</u> |

| HUD Programs | Miscellaneous Grants | Total |
|-------------------------|---------------------------------|----------------------|
| \$ 393,275 | \$ 1,372,232 | \$ 7,565,585 |
| 24,225 | - | 199,838 |
| 135,390 | - | 8,455,556 |
| 642 | 803 | 2,328 |
| - | - | 1,920 |
| 1,399,453 | 364,307 | 4,518,295 |
| 6,172,699 | - | 6,172,699 |
| - | - | 654,765 |
| <u>\$ 8,125,684</u> | <u>\$ 1,737,342</u> | <u>\$ 27,570,986</u> |
| | | |
| \$ 10,994 | \$ 99,493 | \$ 304,006 |
| 291,924 | 208,694 | 542,633 |
| 95,753 | 50,730 | 317,015 |
| 22,925 | - | 66,223 |
| 13,596 | - | 13,596 |
| 1,170,000 | - | 1,170,000 |
| 2,573 | 196 | 3,380 |
| - | 99,207 | 99,857 |
| <u>1,607,765</u> | <u>458,320</u> | <u>2,516,710</u> |
| | | |
| 357 | 446 | 1,293 |
| 135,390 | - | 8,455,556 |
| 22,800 | - | 176,515 |
| 402,642 | 69,808 | 2,378,524 |
| <u>561,189</u> | <u>70,254</u> | <u>11,011,888</u> |
| | | |
| - | - | 654,765 |
| <u>5,956,730</u> | <u>1,208,768</u> | <u>13,387,623</u> |
| <u>5,956,730</u> | <u>1,208,768</u> | <u>14,042,388</u> |
| | | |
| <u>\$ 8,125,684</u> | <u>\$ 1,737,342</u> | <u>\$ 27,570,986</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, 2017

| | <u>Street</u> | <u>Highway Maintenance</u> | <u>Other Special Revenue</u> |
|------------------------------------------------------------------------|---------------------|--------------------------------|--------------------------------------|
| Revenues: | | | |
| State shared taxes | \$ 5,118,048 | \$ 459,456 | \$ - |
| Charges for services | 392,412 | - | 606,746 |
| Licenses and permits | - | - | 58,414 |
| Fines and forfeitures | - | - | 28,501 |
| Intergovernmental | - | - | 50,000 |
| Special assessments | - | - | 2,748,446 |
| Investment income | - | - | 2,671 |
| Increase (decrease) in FMV of investments | - | - | 328 |
| Other | <u>400,659</u> | <u>-</u> | <u>1,364,317</u> |
| Total revenues | <u>5,911,119</u> | <u>459,456</u> | <u>4,859,423</u> |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Community development and neighborhoods | 313 | - | 152,261 |
| Economic development | - | - | 688,940 |
| Leadership and quality of life | 5,920,938 | 393,061 | 2,543,834 |
| Corporate responsibility | - | - | - |
| Public safety and justice | - | - | 1,002,977 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>43,298</u> |
| Total expenditures | <u>5,921,251</u> | <u>393,061</u> | <u>4,431,310</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(10,132)</u> | <u>66,395</u> | <u>428,113</u> |
| Other financing sources: | | | |
| Transfers in | <u>-</u> | <u>-</u> | <u>100,000</u> |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>100,000</u> |
| Net change in fund balances | (10,132) | 66,395 | 528,113 |
| Fund balances | | | |
| at beginning of year | <u>2,620,863</u> | <u>700,194</u> | <u>2,971,457</u> |
| Fund balances at end of year | <u>\$ 2,610,731</u> | <u>\$ 766,589</u> | <u>\$ 3,499,570</u> |

| HUD Programs | Miscellaneous Grants | Total |
|-------------------------|---------------------------------|----------------------|
| \$ - | \$ - | \$ 5,577,504 |
| 79,272 | 319,086 | 1,397,516 |
| - | - | 58,414 |
| - | 237,388 | 265,889 |
| 8,872,697 | 1,181,366 | 10,104,063 |
| 20,198 | - | 2,768,644 |
| 2,458 | 2,820 | 7,949 |
| (1,365) | (1,047) | (2,084) |
| 80,836 | 223,449 | 2,069,261 |
| <u>9,054,096</u> | <u>1,963,062</u> | <u>22,247,156</u> |
| 7,654,274 | 102,267 | 7,909,115 |
| - | 719,697 | 1,408,637 |
| 474,265 | 365,952 | 9,698,050 |
| 148,122 | - | 148,122 |
| - | 2,292,385 | 3,295,362 |
| 22,925 | - | 66,223 |
| <u>8,299,586</u> | <u>3,480,301</u> | <u>22,525,509</u> |
| <u>754,510</u> | <u>(1,517,239)</u> | <u>(278,353)</u> |
| - | 338,074 | 438,074 |
| - | 338,074 | 438,074 |
| 754,510 | (1,179,165) | 159,721 |
| <u>5,202,220</u> | <u>2,387,933</u> | <u>13,882,667</u> |
| <u>\$ 5,956,730</u> | <u>\$ 1,208,768</u> | <u>\$ 14,042,388</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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|------------------------------------------------------|-------------------------|---------------------|---------------------|-------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
| Revenues: | | | | |
| State shared taxes | \$ 4,959,700 | \$ 4,959,700 | \$ 5,112,349 | \$ 152,649 |
| Charges for services | 402,600 | 402,600 | 392,412 | (10,188) |
| Other | 235,700 | 547,800 | 434,369 | (113,431) |
| Total revenues. | <u>5,598,000</u> | <u>5,910,100</u> | <u>5,939,130</u> | <u>29,030</u> |
| Expenditures: | | | | |
| Department of public works | 5,748,000 | 6,121,000 | 5,900,285 | 220,715 |
| Total expenditures. | <u>5,748,000</u> | <u>6,121,000</u> | <u>5,900,285</u> | <u>220,715</u> |
| Net change in fund balance | (150,000) | (210,900) | 38,845 | 249,745 |
| Fund balance at beginning of year. | 1,415,812 | 1,415,812 | 1,415,812 | - |
| Prior year encumbrances appropriated. | 259,663 | 259,663 | 259,663 | - |
| Fund balance at end of year. | <u>\$ 1,525,475</u> | <u>\$ 1,464,575</u> | <u>\$ 1,714,320</u> | <u>\$ 249,745</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, 2017

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|-------------------------|-------------------|-------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| State shared taxes | \$ 445,000 | \$ 445,000 | \$ 458,906 | \$ 13,906 |
| Total revenues. | <u>445,000</u> | <u>445,000</u> | <u>458,906</u> | <u>13,906</u> |
| Expenditures: | | | | |
| Department of public works | <u>445,000</u> | <u>445,000</u> | <u>441,826</u> | <u>3,174</u> |
| Total expenditures. | <u>445,000</u> | <u>445,000</u> | <u>441,826</u> | <u>3,174</u> |
| Net change in fund balance | - | - | 17,080 | 17,080 |
| Fund balance at beginning of year. | 722,076 | 722,076 | 722,076 | - |
| Prior year encumbrances appropriated. | <u>42,009</u> | <u>42,009</u> | <u>42,009</u> | <u>-</u> |
| Fund balance at end of year. | <u>\$ 764,085</u> | <u>\$ 764,085</u> | <u>\$ 781,165</u> | <u>\$ 17,080</u> |

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 OTHER SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|-------------------------|---------------------|---------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Charges for services | \$ 604,500 | \$ 604,500 | \$ 636,682 | \$ 32,182 |
| Fines and forfeitures | 15,000 | 15,000 | 28,501 | 13,501 |
| Special assessments | 2,878,700 | 2,878,700 | 2,748,447 | (130,253) |
| Other | 1,172,100 | 1,175,800 | 1,518,516 | 342,716 |
| Total revenues. | <u>4,670,300</u> | <u>4,674,000</u> | <u>4,932,146</u> | <u>258,146</u> |
| Expenditures: | | | | |
| Various departments | 5,253,700 | 6,097,700 | 5,458,943 | 638,757 |
| Total expenditures. | <u>5,253,700</u> | <u>6,097,700</u> | <u>5,458,943</u> | <u>638,757</u> |
| Excess of expenditures over revenues | <u>(583,400)</u> | <u>(1,423,700)</u> | <u>(526,797)</u> | <u>896,903</u> |
| Other financing sources: | | | | |
| Transfers in | 100,000 | 100,000 | 100,000 | - |
| Total other financing sources. | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balance. | (483,400) | (1,323,700) | (426,797) | 896,903 |
| Fund balance at beginning of year. | 3,531,962 | 3,531,962 | 3,531,962 | - |
| Prior year encumbrances appropriated. | <u>624,341</u> | <u>624,341</u> | <u>624,341</u> | <u>-</u> |
| Fund balance at end of year. | <u>\$ 3,672,903</u> | <u>\$ 2,832,603</u> | <u>\$ 3,729,506</u> | <u>\$ 896,903</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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|------------------------------------------------------------------------|-------------------------|----------------------|---------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Fines and forfeitures | \$ 9,890,300 | \$ 11,169,900 | \$ 1,877,663 | \$ (9,292,237) |
| Intergovernmental. | 1,250,400 | 1,412,200 | 237,388 | (1,174,812) |
| Charges for Services | 1,680,700 | 1,898,200 | 319,086 | (1,579,114) |
| Other | 1,189,000 | 1,342,800 | 223,449 | (1,119,351) |
| Total revenues. | <u>14,010,400</u> | <u>15,823,100</u> | <u>2,657,586</u> | <u>(13,165,514)</u> |
| Expenditures: | | | | |
| Other grants | | | | |
| Other. | 12,200,500 | 13,753,100 | 10,944,130 | 2,808,970 |
| Total other | <u>12,200,500</u> | <u>13,753,100</u> | <u>10,944,130</u> | <u>2,808,970</u> |
| Total expenditures. | <u>12,200,500</u> | <u>13,753,100</u> | <u>10,944,130</u> | <u>2,808,970</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,809,900</u> | <u>2,070,000</u> | <u>(8,286,544)</u> | <u>(10,356,544)</u> |
| Other financing sources: | | | | |
| Transfers in | - | 367,200 | 338,074 | (29,126) |
| Total other financing sources | <u>-</u> | <u>367,200</u> | <u>338,074</u> | <u>(29,126)</u> |
| Net change in fund balances | <u>1,809,900</u> | <u>2,437,200</u> | <u>(7,948,470)</u> | <u>(10,385,670)</u> |
| Fund balance at beginning of year. | <u>1,846,310</u> | <u>1,846,310</u> | <u>1,846,310</u> | <u>-</u> |
| Prior year encumbrances appropriated. | <u>7,726,266</u> | <u>7,726,266</u> | <u>7,726,266</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 11,382,476</u> | <u>\$ 12,009,776</u> | <u>\$ 1,624,106</u> | <u>\$ (10,385,670)</u> |

CITY OF DAYTON, OHIO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 PERMANENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------------------|-------------------------|-------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Other | \$ - | \$ - | \$ 543 | \$ 543 |
| Total revenues. | - | - | 543 | 543 |
| Expenditures: | | | | |
| Other | 50,000 | 50,000 | - | 50,000 |
| Total expenditures. | 50,000 | 50,000 | - | 50,000 |
| Net change in fund balances | (50,000) | (50,000) | 543 | 50,543 |
| Fund balance at beginning of year. | <u>290,542</u> | <u>290,542</u> | <u>290,542</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 240,542</u> | <u>\$ 240,542</u> | <u>\$ 291,085</u> | <u>\$ 50,543</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, 2017

| | <u>Budgeted Amounts</u> | | | Variance with |
|------------------------------------------------------|-------------------------|----------------------|----------------------|-------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Property and other taxes. | \$ 6,608,900 | \$ 6,608,900 | \$ 6,612,606 | \$ 3,706 |
| Intergovernmental. | 2,350,700 | 2,350,700 | 2,422,628 | 71,928 |
| Other | 394,000 | 394,000 | 175,912 | (218,088) |
| Total revenues. | <u>9,353,600</u> | <u>9,353,600</u> | <u>9,211,146</u> | <u>(142,454)</u> |
| Expenditures: | | | | |
| Department of finance | 11,125,100 | 11,125,100 | 10,745,278 | 379,822 |
| Total expenditures. | <u>11,125,100</u> | <u>11,125,100</u> | <u>10,745,278</u> | <u>379,822</u> |
| Excess of expenditures over revenues | <u>(1,771,500)</u> | <u>(1,771,500)</u> | <u>(1,534,132)</u> | <u>237,368</u> |
| Other financing sources: | | | | |
| Transfers in | 942,500 | 1,073,500 | 1,073,300 | (200) |
| Total other financing sources | <u>942,500</u> | <u>1,073,500</u> | <u>1,073,300</u> | <u>(200)</u> |
| Net change in fund balance | (829,000) | (698,000) | (460,832) | 237,168 |
| Fund balance at beginning of year. | 13,906,918 | 13,906,918 | 13,906,918 | - |
| Prior year encumbrances appropriated. | <u>45,428</u> | <u>45,428</u> | <u>45,428</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 13,123,346</u> | <u>\$ 13,254,346</u> | <u>\$ 13,491,514</u> | <u>\$ 237,168</u> |

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR ENTERPRISE FUNDS

Nonmajor Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered primarily through user charges, or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is 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 POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2017

| | <u>Storm Water</u> | <u>Golf</u> | <u>Total</u> |
|---------------------------------------------------------------|------------------------|---------------------|----------------------|
| Assets: | | | |
| Current assets: | | | |
| Equity in pooled cash and investments | \$ 14,860,635 | \$ 168,474 | \$ 15,029,109 |
| Receivables: | | | |
| Accounts | 1,507,619 | - | 1,507,619 |
| Special assessments | 622,843 | - | 622,843 |
| Accrued interest | 34,606 | - | 34,606 |
| Total current assets. | <u>17,025,703</u> | <u>168,474</u> | <u>17,194,177</u> |
| Noncurrent assets: | | | |
| Net pension asset | 9,149 | 2,973 | 12,122 |
| Capital assets: | | | |
| Land and construction in progress. | 1,359,656 | 565,614 | 1,925,270 |
| Depreciable capital assets, net | 23,313,446 | 11,926,724 | 35,240,170 |
| Accumulated Depreciation | (10,116,127) | (8,111,961) | (18,228,088) |
| Total capital assets, net. | <u>14,556,975</u> | <u>4,380,377</u> | <u>18,937,352</u> |
| Total noncurrent assets. | <u>14,566,124</u> | <u>4,383,350</u> | <u>18,949,474</u> |
| Total assets. | <u>31,591,827</u> | <u>4,551,824</u> | <u>36,143,651</u> |
| Deferred outflows of resources: | | | |
| Pension. | 1,516,825 | 492,994 | 2,009,819 |
| Total assets and deferred outflows of resources | <u>33,108,652</u> | <u>5,044,818</u> | <u>38,153,470</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable. | 38,953 | 9,115 | 48,068 |
| Contracts payable. | 10,425 | 2,641 | 13,066 |
| Retainage payable. | 40,947 | - | 40,947 |
| Accrued wages and benefits payable | 89,424 | 32,244 | 121,668 |
| Due to other funds | 735,120 | 175 | 735,295 |
| Due to other governments | 7,324 | 3,948 | 11,272 |
| Compensated absences payable - current | 161,220 | 72,233 | 233,453 |
| Advances from other funds. | - | 357,175 | 357,175 |
| Total current liabilities. | <u>1,083,413</u> | <u>477,531</u> | <u>1,560,944</u> |
| Long-term liabilities: | | | |
| Compensated absences payable | 91,036 | 40,788 | 131,824 |
| Net pension liability | 3,863,800 | 1,255,766 | 5,119,566 |
| Total long-term liabilities | <u>3,954,836</u> | <u>1,296,554</u> | <u>5,251,390</u> |
| Total liabilities. | <u>5,038,249</u> | <u>1,774,085</u> | <u>6,812,334</u> |
| Deferred inflows of resources: | | | |
| Pension. | 55,486 | 21,191 | 76,677 |
| Total liabilities and deferred inflows of resources | <u>5,093,735</u> | <u>1,795,276</u> | <u>6,889,011</u> |
| Net position: | | | |
| Net investment in capital assets | 14,505,603 | 4,377,736 | 18,883,339 |
| Unrestricted (deficit). | 13,509,314 | (1,128,194) | 12,381,120 |
| Total net position | <u>\$ 28,014,917</u> | <u>\$ 3,249,542</u> | <u>\$ 31,264,459</u> |

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Storm Water | Golf | Total |
|------------------------------------------------------------|------------------------|---------------------|----------------------|
| Operating revenues: | | | |
| Charges for services | \$ 7,534,843 | \$ 2,746,574 | \$ 10,281,417 |
| Other operating revenues | 36,472 | 20,326 | 56,798 |
| Total operating revenues | <u>7,571,315</u> | <u>2,766,900</u> | <u>10,338,215</u> |
| Operating expenses: | | | |
| Personal services | 2,457,853 | 816,404 | 3,274,257 |
| Fringe benefits | 1,530,819 | 470,098 | 2,000,917 |
| Contract services | 1,243,783 | 787,664 | 2,031,447 |
| Materials and supplies | 133,240 | 153,290 | 286,530 |
| Utilities | 64,142 | 101,013 | 165,155 |
| Depreciation | 1,460,740 | 266,148 | 1,726,888 |
| Other | 159,765 | 471,236 | 631,001 |
| Total operating expenses | <u>7,050,342</u> | <u>3,065,853</u> | <u>10,116,195</u> |
| Operating income (loss) | <u>520,973</u> | <u>(298,953)</u> | <u>222,020</u> |
| Nonoperating revenues (expenses): | | | |
| Interest and fiscal charges | - | (27,503) | (27,503) |
| Loss on sale of capital assets | - | - | - |
| Interest income | 129,406 | - | 129,406 |
| Decrease in fair market value of investments | (50,490) | - | (50,490) |
| Total nonoperating revenues (expenses) | <u>78,916</u> | <u>(27,503)</u> | <u>51,413</u> |
| Income (loss) before transfers and contributions | 599,889 | (326,456) | 273,433 |
| transfers | | | |
| Transfer in | - | 517,500 | 517,500 |
| Change in net position | 599,889 | 191,044 | 790,933 |
| Net position at beginning of year | <u>27,415,028</u> | <u>3,058,498</u> | <u>30,473,526</u> |
| Net position at end of year | <u>\$ 28,014,917</u> | <u>\$ 3,249,542</u> | <u>\$ 31,264,459</u> |

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Storm Water | Golf | Total |
|----------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|-----------------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers. | \$ 7,627,622 | \$ 2,746,574 | \$ 10,374,196 |
| Cash received from other operations. | 36,472 | 20,326 | 56,798 |
| Cash payments for personal services. | (2,460,633) | (806,845) | (3,267,478) |
| Cash payments for fringe benefits | (1,027,575) | (302,090) | (1,329,665) |
| Cash payments for contractual services | (1,115,904) | (795,699) | (1,911,603) |
| Cash payments for materials and supplies | (130,301) | (289,065) | (419,366) |
| Cash payments for utilities. | (62,007) | (105,852) | (167,859) |
| Cash payments for other expenses | (150,144) | (471,261) | (621,405) |
| Net cash provided by (used in) operating activities. | <u>2,717,530</u> | <u>(3,912)</u> | <u>2,713,618</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers in. | - | 517,500 | 517,500 |
| Interest paid on interfund loans. | - | (27,503) | (27,503) |
| Cash used in repayment of interfund loans | - | (254,003) | (254,003) |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>235,994</u> | <u>235,994</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets | (1,513,397) | (390,484) | (1,903,881) |
| Net cash used in capital and related financing activities | <u>(1,513,397)</u> | <u>(390,484)</u> | <u>(1,903,881)</u> |
| Cash flows from investing activities: | | | |
| Interest received. | 66,563 | - | 66,563 |
| Net cash provided by investing activities | <u>66,563</u> | <u>-</u> | <u>66,563</u> |
| Net increase (decrease) in cash and cash equivalents. | 1,270,696 | (158,402) | 1,112,294 |
| Cash and cash equivalents at beginning of year. | 13,589,939 | 326,876 | 13,916,815 |
| Cash and cash equivalents at end of year | <u>\$ 14,860,635</u> | <u>\$ 168,474</u> | <u>\$ 15,029,109</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss). | \$ 520,973 | \$ (298,953) | \$ 222,020 |
| Adjustments: | | | |
| Depreciation | 1,460,740 | 266,148 | 1,726,888 |
| Changes in assets and liabilities: | | | |
| Decrease in accounts receivable. | 66,725 | - | 66,725 |
| (Increase) in net pension asset | (1,561) | (491) | (2,052) |
| (Increase) in deferred outflows for pension | (336,628) | (106,999) | (443,627) |
| Decrease in prepayments. | 2,600 | 1,569 | 4,169 |
| Decrease in special assessments receivable. | 26,054 | - | 26,054 |
| Increase (decrease) in accounts payable. | (8,076) | (147,521) | (155,597) |
| Increase (decrease) in contracts payable | (7,437) | (3,314) | (10,751) |
| Increase in retainage payable | 19,322 | - | 19,322 |
| Increase in accrued wages and benefits. | 4,022 | 3,924 | 7,946 |
| Increase (decrease) in due to other funds. | 120,075 | (8) | 120,067 |
| Increase in net pension liability. | 860,064 | 273,363 | 1,133,427 |
| Increase (decrease) in deferred inflows of resources. | (7,717) | 520 | (7,197) |
| Increase in due to other governments | 7,324 | 600 | 7,924 |
| Increase (decrease) in compensated absences payable | (8,950) | 7,250 | (1,700) |
| Net cash provided by (used in) operating activities. | <u>\$ 2,717,530</u> | <u>\$ (3,912)</u> | <u>\$ 2,713,618</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.

Health Insurance

To account for claims and administrative payments to cover the cost of servicing the City's self-insured insurance program for medical and prescription drug benefits.

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.

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CITY OF DAYTON, OHIO

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2017

| | <u>Fleet Management</u> | <u>Fire Fleet Management</u> | <u>Stores and Reproduction</u> | <u>Health Insurance</u> |
|---------------------------------------------------------------|-----------------------------|----------------------------------|------------------------------------|-----------------------------|
| Assets: | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments | \$ 1,137,969 | \$ 114,421 | \$ 312,919 | \$ 5,679,625 |
| Receivables: | | | | |
| Accounts | - | 4,264 | - | - |
| Accrued interest | - | - | - | - |
| Due from other funds | - | - | 51,759 | - |
| Due from other governments | - | 20,439 | - | - |
| Inventory held for resale | 206,209 | 341,263 | - | - |
| Prepayments | 2,200 | - | - | - |
| Total current assets | <u>1,346,378</u> | <u>480,387</u> | <u>364,678</u> | <u>5,679,625</u> |
| Noncurrent assets: | | | | |
| Net pension asset | 7,504 | 1,980 | 395 | 569 |
| Capital assets: | | | | |
| Land | - | 75,000 | - | - |
| Depreciable capital assets, net | 210,691 | 607,170 | - | - |
| Total noncurrent assets | <u>218,195</u> | <u>684,150</u> | <u>395</u> | <u>569</u> |
| Total assets | <u>1,564,573</u> | <u>1,164,537</u> | <u>365,073</u> | <u>5,680,194</u> |
| Deferred outflows of resources: | | | | |
| Pension | 1,244,094 | 328,372 | 72,892 | 128,949 |
| Total assets and deferred outflows of resources | <u>2,808,667</u> | <u>1,492,909</u> | <u>437,965</u> | <u>5,809,143</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 33,378 | 11,317 | 42,365 | - |
| Contracts payable | 19,260 | - | - | - |
| Accrued wages and benefits payable | 69,357 | 18,893 | 6,407 | 8,122 |
| Due to other funds | 255 | 291 | - | 1 |
| Due to other governments | - | - | - | - |
| Compensated absences payable - current | 74,793 | 11,414 | 21,964 | 11,654 |
| Claims and judgments payable | - | - | - | 2,590,014 |
| Total current liabilities | <u>197,043</u> | <u>41,915</u> | <u>70,736</u> | <u>2,609,791</u> |
| Long-term liabilities: | | | | |
| Compensated absences payable | 42,233 | 6,445 | 12,402 | 6,581 |
| Net pension liability | 3,169,338 | 836,274 | 166,992 | 240,464 |
| Claims and judgments payable | - | - | - | - |
| Total long-term liabilities | <u>3,211,571</u> | <u>842,719</u> | <u>179,394</u> | <u>247,045</u> |
| Total liabilities | <u>3,408,614</u> | <u>884,634</u> | <u>250,130</u> | <u>2,856,836</u> |
| Deferred inflows of resources: | | | | |
| Pension | 27,231 | 26,132 | 1,204 | 1,729 |
| Total deferred inflows of resources | <u>27,231</u> | <u>26,132</u> | <u>1,204</u> | <u>1,729</u> |
| Total liabilities and deferred inflows of resources | <u>3,435,845</u> | <u>910,766</u> | <u>251,334</u> | <u>2,858,565</u> |
| Net position: | | | | |
| Net investment in capital assets | 210,691 | 682,170 | - | - |
| Unrestricted | <u>(837,869)</u> | <u>(100,027)</u> | <u>186,631</u> | <u>2,950,578</u> |
| Total net position | <u>\$ (627,178)</u> | <u>\$ 582,143</u> | <u>\$ 186,631</u> | <u>\$ 2,950,578</u> |

| Workers' Compensation | Plumbing Shop | Total |
|----------------------------------|--------------------------|----------------------|
| \$ 20,674,380 | \$ 533,934 | \$ 28,453,248 |
| - | - | 4,264 |
| 48,335 | - | 48,335 |
| - | - | 51,759 |
| - | - | 20,439 |
| - | - | 547,472 |
| - | - | 2,200 |
| <u>20,722,715</u> | <u>533,934</u> | <u>29,127,717</u> |
| 1,457 | 1,046 | 12,951 |
| - | - | 75,000 |
| <u>7,400</u> | <u>130,184</u> | <u>955,445</u> |
| <u>8,857</u> | <u>131,230</u> | <u>1,043,396</u> |
| <u>20,731,572</u> | <u>665,164</u> | <u>30,171,113</u> |
| 242,010 | 173,435 | 2,189,752 |
| <u>20,973,582</u> | <u>838,599</u> | <u>32,360,865</u> |
| 8,721 | 4,559 | 100,340 |
| - | - | 19,260 |
| 16,686 | 7,384 | 126,849 |
| 610 | - | 1,157 |
| 51,740 | - | 51,740 |
| 95,490 | 16,728 | 232,043 |
| 1,152,053 | - | 3,742,067 |
| <u>1,325,300</u> | <u>28,671</u> | <u>4,273,456</u> |
| 53,920 | 9,445 | 131,026 |
| 615,184 | 441,791 | 5,470,043 |
| <u>2,326,892</u> | <u>-</u> | <u>2,326,892</u> |
| <u>2,995,996</u> | <u>451,236</u> | <u>7,927,961</u> |
| <u>4,321,296</u> | <u>479,907</u> | <u>12,201,417</u> |
| 101,169 | 8,894 | 166,359 |
| <u>101,169</u> | <u>8,894</u> | <u>166,359</u> |
| <u>4,422,465</u> | <u>488,801</u> | <u>12,367,776</u> |
| 7,400 | 130,184 | 1,030,445 |
| <u>16,543,717</u> | <u>219,614</u> | <u>18,962,644</u> |
| <u>\$ 16,551,117</u> | <u>\$ 349,798</u> | <u>\$ 19,993,089</u> |

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Fleet Management | Fire Fleet Management | Stores and Reproduction | Health Insurance |
|----------------------------------------------------------|-----------------------------|----------------------------------|------------------------------------|-----------------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 7,518,358 | \$ 1,269,504 | \$ 211,388 | \$ 23,958,154 |
| Other operating revenues | 36,685 | 5,782 | 329,254 | 2,734 |
| Total operating revenues | <u>7,555,043</u> | <u>1,275,286</u> | <u>540,642</u> | <u>23,960,888</u> |
| Operating expenses: | | | | |
| Personal services | 1,983,256 | 520,508 | 137,188 | 306,749 |
| Fringe benefits | 1,219,489 | 319,471 | 82,119 | 105,511 |
| Contract services | 650,725 | 129,320 | 205,412 | 325,482 |
| Materials and supplies | 885 | - | 1,885 | 16,351 |
| Cost of sales | 3,785,662 | 329,653 | 36,900 | - |
| Utilities | - | 22,104 | - | - |
| Claims expense | - | - | - | 23,901,147 |
| Depreciation | 4,731 | 27,146 | - | - |
| Other | 34,937 | 4,974 | 33,563 | 19,602 |
| Total operating expenses | <u>7,679,685</u> | <u>1,353,176</u> | <u>497,067</u> | <u>24,674,842</u> |
| Operating income (loss) | <u>(124,642)</u> | <u>(77,890)</u> | <u>43,575</u> | <u>(713,954)</u> |
| Nonoperating revenues: | | | | |
| Interest income | - | - | - | - |
| (Decrease) in fair market value of investments | - | - | - | - |
| Total nonoperating revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Income (loss) before transfers | (124,642) | (77,890) | 43,575 | (713,954) |
| Transfers out | <u>-</u> | <u>(117,562)</u> | <u>-</u> | <u>-</u> |
| Change in net position | (124,642) | (195,452) | 43,575 | (713,954) |
| Net position at beginning of year | <u>(502,536)</u> | <u>777,595</u> | <u>143,056</u> | <u>3,664,532</u> |
| Net position at end of year | <u>\$ (627,178)</u> | <u>\$ 582,143</u> | <u>\$ 186,631</u> | <u>\$ 2,950,578</u> |

| Workers' Compensation | Plumbing Shop | Total |
|----------------------------------|--------------------------|----------------------|
| \$ 4,790,456 | \$ 572,132 | \$ 38,319,992 |
| 30,626 | 2,854 | 407,935 |
| <u>4,821,082</u> | <u>574,986</u> | <u>38,727,927</u> |
| 483,166 | 276,842 | 3,707,709 |
| 212,445 | 176,344 | 2,115,379 |
| 168,899 | 10,364 | 1,490,202 |
| 86,646 | 141,441 | 247,208 |
| - | - | 4,152,215 |
| - | - | 22,104 |
| 2,420,560 | - | 26,321,707 |
| 1,750 | 11,225 | 44,852 |
| 34,630 | - | 127,706 |
| <u>3,408,096</u> | <u>616,216</u> | <u>38,229,082</u> |
| <u>1,412,986</u> | <u>(41,230)</u> | <u>498,845</u> |
| 181,143 | - | 181,143 |
| (71,237) | - | (71,237) |
| <u>109,906</u> | <u>-</u> | <u>109,906</u> |
| 1,522,892 | (41,230) | 608,751 |
| - | - | (117,562) |
| 1,522,892 | (41,230) | 491,189 |
| <u>15,028,225</u> | <u>391,028</u> | <u>19,501,900</u> |
| <u>\$ 16,551,117</u> | <u>\$ 349,798</u> | <u>\$ 19,993,089</u> |

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Fleet Management</u> | <u>Fire Fleet Management</u> | <u>Stores and Reproduction</u> | <u>Health Insurance</u> |
|--------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------|------------------------------------|-----------------------------|
| Cash flows from operating activities: | | | | |
| Cash received from interfund services provided . . . | \$ 7,680,030 | \$ 1,330,545 | \$ 195,081 | \$ 23,958,154 |
| Cash received from other operations | 36,685 | 5,782 | 329,254 | 2,734 |
| Cash payments for personal services | (2,019,677) | (533,847) | (106,321) | (304,784) |
| Cash payments for fringe benefits. | (792,657) | (212,600) | (53,661) | (62,128) |
| Cash payments for contractual services | (637,069) | (118,860) | (230,816) | (212,801) |
| Cash payments for materials and supplies | (885) | - | (691) | (16,351) |
| Cash payments for cost of goods sold | (3,866,243) | (360,602) | (36,900) | - |
| Cash payments for utilities. | - | (20,694) | - | - |
| Cash payments for claims. | - | - | - | (23,737,415) |
| Cash payments for other expenses | (21,438) | (4,870) | (34,581) | (19,628) |
| Net cash provided by (used in) operating activities. . | <u>378,746</u> | <u>84,854</u> | <u>61,365</u> | <u>(392,219)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Cash used in transfers out | - | (117,562) | - | - |
| Cash received from interfund loans. | - | - | - | - |
| Net cash provided by (used in) noncapital financing activities | <u>-</u> | <u>(117,562)</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (179,415) | - | - | - |
| Net cash used in capital and related financing activities | <u>(179,415)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities: | | | | |
| Interest received and fair market value adjustment | - | - | - | - |
| Net cash provided by investing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents. | 199,331 | (32,708) | 61,365 | (392,219) |
| Cash and cash equivalents at beginning of year. | <u>938,638</u> | <u>147,129</u> | <u>251,554</u> | <u>6,071,844</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,137,969</u> | <u>\$ 114,421</u> | <u>\$ 312,919</u> | <u>\$ 5,679,625</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (124,642) | \$ (77,890) | \$ 43,575 | \$ (713,954) |
| Adjustments: | | | | |
| Depreciation | 4,731 | 27,146 | - | - |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in net pension asset | (1,376) | (266) | (114) | (288) |
| (Increase) decrease in deferred outflows for pension | (290,927) | (61,757) | (29,255) | (85,312) |
| (Increase) in accounts receivable. | - | (4,264) | - | - |
| (Increase) decrease in due from other funds. | 161,916 | 43,623 | (16,307) | - |
| Decrease in due from other governments | - | 21,682 | - | - |
| (Increase) decrease in prepayments | (2,200) | 15,560 | - | 114,518 |
| Increase in inventory held for resale. | (16,151) | (23,774) | - | - |
| Increase (decrease) in accounts payable | (54,364) | (10,768) | (25,228) | - |
| Increase (decrease) in contracts payable | 19,260 | - | - | (1,838) |
| Increase (decrease) in accrued wages and benefits. . . . | 14,493 | 3,148 | 2,936 | 677 |
| Increase (decrease) in due to other funds | (215) | 7 | - | (25) |
| Decrease in due to other governments. | - | - | - | - |
| Increase (decrease) in net pension liability | 743,420 | 157,710 | 55,931 | 129,403 |
| Increase (decrease) in deferred inflows - pension. | (23,814) | 11,854 | (1,133) | (608) |
| Increase (decrease) in compensated absences payable. . . | (51,385) | (17,157) | 30,960 | 1,476 |
| Increase (decrease) in claims payable. | - | - | - | 163,732 |
| Net cash provided by (used in) operating activities | <u>\$ 378,746</u> | <u>\$ 84,854</u> | <u>\$ 61,365</u> | <u>\$ (392,219)</u> |

| Workers' Compensation | Plumbing Shop | Total |
|----------------------------------|--------------------------|----------------------|
| \$ 4,790,456 | \$ 572,132 | \$ 38,526,398 |
| 30,626 | 2,854 | 407,935 |
| (394,126) | (280,801) | (3,639,556) |
| (152,546) | (117,559) | (1,391,151) |
| (170,056) | (10,364) | (1,379,966) |
| (88,610) | (138,609) | (245,146) |
| - | - | (4,263,745) |
| - | - | (20,694) |
| (2,465,809) | - | (26,203,224) |
| (34,477) | - | (114,994) |
| <u>1,515,458</u> | <u>27,653</u> | <u>1,675,857</u> |
| - | - | (117,562) |
| <u>74,682</u> | <u>-</u> | <u>74,682</u> |
| <u>74,682</u> | <u>-</u> | <u>(42,880)</u> |
| - | (67,209) | (246,624) |
| - | (67,209) | (246,624) |
| <u>92,257</u> | <u>-</u> | <u>92,257</u> |
| <u>92,257</u> | <u>-</u> | <u>92,257</u> |
| 1,682,397 | (39,556) | 1,478,610 |
| <u>18,991,983</u> | <u>573,490</u> | <u>26,974,638</u> |
| <u>\$ 20,674,380</u> | <u>\$ 533,934</u> | <u>\$ 28,453,248</u> |
| | | |
| \$ 1,412,986 | \$ (41,230) | \$ 498,845 |
| 1,750 | 11,225 | 44,852 |
| 229 | (169) | (1,984) |
| 20,201 | (36,990) | (484,040) |
| - | - | (4,264) |
| - | - | 189,232 |
| - | - | 21,682 |
| - | - | 127,878 |
| - | - | (39,925) |
| (3,083) | 3,062 | (90,381) |
| - | - | 17,422 |
| (6,661) | 737 | 15,330 |
| 115 | (230) | (348) |
| (21,851) | - | (21,851) |
| (52,174) | 94,525 | 1,128,815 |
| 87,127 | 1,587 | 75,013 |
| 100,217 | (4,864) | 59,247 |
| (23,398) | - | 140,334 |
| <u>\$ 1,515,458</u> | <u>\$ 27,653</u> | <u>\$ 1,675,857</u> |

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - FIDUCIARY FUNDS

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

Agency Funds

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

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

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>12/31/16</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>12/31/17</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: | | | | |
| Intergovernmental payable. | \$ 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> |
| Developer Construction Payments | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 3,000 | \$ - | \$ - | \$ 3,000 |
| Total assets. | <u>\$ 3,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,000</u> |
| Liabilities: | | | | |
| Due to others. | \$ 3,000 | \$ - | \$ - | \$ 3,000 |
| Total liabilities. | <u>\$ 3,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,000</u> |
| Deposit of Taxes/Courthouse Square | | | | |
| Assets: | | | | |
| Accounts receivable. | \$ 90,671 | \$ 201,436 | \$ 90,671 | \$ 201,436 |
| Total assets. | <u>\$ 90,671</u> | <u>\$ 201,436</u> | <u>\$ 90,671</u> | <u>\$ 201,436</u> |
| Liabilities: | | | | |
| Due to others. | \$ 90,671 | \$ 201,436 | \$ 90,671 | \$ 201,436 |
| Total liabilities. | <u>\$ 90,671</u> | <u>\$ 201,436</u> | <u>\$ 90,671</u> | <u>\$ 201,436</u> |
| Dependent Care | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 2,228 | \$ - | \$ - | \$ 2,228 |
| Total assets. | <u>\$ 2,228</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,228</u> |
| Liabilities: | | | | |
| Intergovernmental payable. | \$ 2,228 | \$ - | \$ - | \$ 2,228 |
| Total liabilities. | <u>\$ 2,228</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,228</u> |

-- Continued

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>12/31/16</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>12/31/17</u> |
|-----------------------------------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|
| Fire Proceeds | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 1,078,965 | \$ 177,477 | \$ - | \$ 1,256,442 |
| Total assets. | <u>\$ 1,078,965</u> | <u>\$ 177,477</u> | <u>\$ -</u> | <u>\$ 1,256,442</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 133,864 | \$ - | \$ 133,864 |
| Intergovernmental payable. | 1,078,965 | 43,613 | - | 1,122,578 |
| Total liabilities. | <u>\$ 1,078,965</u> | <u>\$ 177,477</u> | <u>\$ -</u> | <u>\$ 1,256,442</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. | \$ 6,843 | \$ 8,097 | \$ 7,834 | \$ 7,106 |
| Total assets. | <u>\$ 6,843</u> | <u>\$ 8,097</u> | <u>\$ 7,834</u> | <u>\$ 7,106</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 6,843 | \$ 8,097 | \$ 6,843 | \$ 8,097 |
| Due to others. | - | - | 991 | (991) |
| Total liabilities. | <u>\$ 6,843</u> | <u>\$ 8,097</u> | <u>\$ 7,834</u> | <u>\$ 7,106</u> |
| Payroll Withholding | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 2,485,231 | \$ 2,675,266 | \$ 2,485,231 | \$ 2,675,266 |
| Receivables: | | | | |
| Intergovernmental. | 90,671 | 121,626 | 90,671 | 121,626 |
| Total assets. | <u>\$ 2,575,902</u> | <u>\$ 2,796,892</u> | <u>\$ 2,575,902</u> | <u>\$ 2,796,892</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 57,424 | \$ - | \$ 57,424 |
| Due to others. | 199,088 | 376,515 | 199,088 | 376,515 |
| Withholdings and deposits. | 2,376,814 | 2,362,953 | 2,376,814 | 2,362,953 |
| Total liabilities. | <u>\$ 2,575,902</u> | <u>\$ 2,796,892</u> | <u>\$ 2,575,902</u> | <u>\$ 2,796,892</u> |
| Special Improvement District | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 123,546 | \$ - | \$ - | \$ 123,546 |
| Receivables: | | | | |
| Special assessments. | 5,937,240 | - | - | 5,937,240 |
| Total assets. | <u>\$ 6,060,786</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,060,786</u> |
| Liabilities: | | | | |
| Due to others. | \$ 6,060,786 | \$ - | \$ - | \$ 6,060,786 |
| Total liabilities. | <u>\$ 6,060,786</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,060,786</u> |

-- Continued

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>12/31/16</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>12/31/17</u> |
|-----------------------------------------------------|-----------------------------------|---------------------|-------------------|-----------------------------------|
| GMR Trading Project | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 32,499 | \$ - | \$ - | \$ 32,499 |
| Total assets. | <u>\$ 32,499</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 32,499</u> |
| Liabilities: | | | | |
| Intergovernmental payable. | \$ 32,499 | \$ - | \$ - | \$ 32,499 |
| Total liabilities. | <u>\$ 32,499</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 32,499</u> |
| Miami Township-Dayton JEDD | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 412,012 | \$ 119,576 | \$ 10,906 | \$ 520,682 |
| Total assets. | <u>\$ 412,012</u> | <u>\$ 119,576</u> | <u>\$ 10,906</u> | <u>\$ 520,682</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 76,211 | \$ - | \$ 76,211 |
| Intergovernmental payable. | 412,012 | 43,365 | 10,906 | 444,471 |
| Total liabilities. | <u>\$ 412,012</u> | <u>\$ 119,576</u> | <u>\$ 10,906</u> | <u>\$ 520,682</u> |
| Butler Township-Dayton JEDD | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 49,292 | \$ 8,211 | \$ - | \$ 57,503 |
| Total assets. | <u>\$ 49,292</u> | <u>\$ 8,211</u> | <u>\$ -</u> | <u>\$ 57,503</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 5,675 | \$ - | \$ 5,675 |
| Intergovernmental payable. | 49,292 | 2,536 | - | 51,828 |
| Total liabilities. | <u>\$ 49,292</u> | <u>\$ 8,211</u> | <u>\$ -</u> | <u>\$ 57,503</u> |
| Engery Special Improvement District | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 175,400 | \$ - | \$ 175,400 | \$ - |
| Receivables: | | | | |
| Special assessments. | - | 5,555,017 | - | 5,555,017 |
| Total assets. | <u>\$ 175,400</u> | <u>\$ 5,555,017</u> | <u>\$ 175,400</u> | <u>\$ 5,555,017</u> |
| Liabilities: | | | | |
| Due to others. | \$ 175,400 | \$ 5,555,017 | \$ 175,400 | \$ 5,555,017 |
| Total liabilities. | <u>\$ 175,400</u> | <u>\$ 5,555,017</u> | <u>\$ 175,400</u> | <u>\$ 5,555,017</u> |

- - Continued

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>12/31/16</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>12/31/17</u> |
|-------------------------------------------------------|-----------------------------------|----------------------|---------------------|-----------------------------------|
| Police Property Room | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 1,845,489 | \$ 38,772 | \$ 155,367 | \$ 1,728,894 |
| Total assets. | <u>\$ 1,845,489</u> | <u>\$ 38,772</u> | <u>\$ 155,367</u> | <u>\$ 1,728,894</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 38,772 | \$ - | \$ 38,772 |
| Due to others. | 1,845,489 | - | 155,367 | 1,690,122 |
| Total liabilities. | <u>\$ 1,845,489</u> | <u>\$ 38,772</u> | <u>\$ 155,367</u> | <u>\$ 1,728,894</u> |
| Municipal Courts | | | | |
| Assets: | | | | |
| Cash and cash equivalents with fiscal agent | \$ 1,054,764 | \$ 983,487 | \$ 1,054,764 | \$ 983,487 |
| Total assets. | <u>\$ 1,054,764</u> | <u>\$ 983,487</u> | <u>\$ 1,054,764</u> | <u>\$ 983,487</u> |
| Liabilities: | | | | |
| Intergovernmental payable. | \$ 213,357 | \$ 243,136 | \$ 213,357 | \$ 243,136 |
| Due to others. | 841,407 | 740,351 | 841,407 | 740,351 |
| Total liabilities. | <u>\$ 1,054,764</u> | <u>\$ 983,487</u> | <u>\$ 1,054,764</u> | <u>\$ 983,487</u> |
| Executive Severance | | | | |
| Assets: | | | | |
| Investments with fiscal agent | \$ 932,036 | \$ 1,057,191 | \$ 932,036 | \$ 1,057,191 |
| Total assets. | <u>\$ 932,036</u> | <u>\$ 1,057,191</u> | <u>\$ 932,036</u> | <u>\$ 1,057,191</u> |
| Liabilities: | | | | |
| Withholdings and deposits. | \$ 932,036 | \$ 1,057,191 | \$ 932,036 | \$ 1,057,191 |
| Total liabilities. | <u>\$ 932,036</u> | <u>\$ 1,057,191</u> | <u>\$ 932,036</u> | <u>\$ 1,057,191</u> |
| Total Agency Funds | | | | |
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 6,331,793 | \$ 3,027,399 | \$ 2,834,738 | \$ 6,524,454 |
| Investments with fiscal agent | 932,036 | 1,057,191 | 932,036 | 1,057,191 |
| Cash and cash equivalents with fiscal agent | 1,054,764 | 983,487 | 1,054,764 | 983,487 |
| Receivables: | | | | |
| Accounts | 90,671 | 201,436 | 90,671 | 201,436 |
| Special assessments. | 5,937,240 | 5,555,017 | - | 11,492,257 |
| Intergovernmental. | 90,671 | 121,626 | 90,671 | 121,626 |
| Total assets. | <u>\$ 14,437,175</u> | <u>\$ 10,946,156</u> | <u>\$ 5,002,880</u> | <u>\$ 20,380,451</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 6,843 | \$ 320,043 | \$ 6,843 | \$ 320,043 |
| Intergovernmental payable. | 1,838,002 | 332,650 | 224,263 | 1,946,389 |
| Due to others. | 9,215,841 | 6,873,319 | 1,462,924 | 14,626,236 |
| Withholdings and deposits. | 3,376,489 | 3,420,144 | 3,308,850 | 3,487,783 |
| Total liabilities. | <u>\$ 14,437,175</u> | <u>\$ 10,946,156</u> | <u>\$ 5,002,880</u> | <u>\$ 20,380,451</u> |



Statistical

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STATISTICAL SECTION

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

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CITY OF DAYTON, OHIO

STATISTICAL SECTION

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

Contents

Page

Financial Trends

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

S 4 - S 13

Revenue Capacity

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

S 14 - S 21

Debt Capacity

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

S 22 - S 32

Demographic and Economic Information

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

S 33 - S 44

Operating Information

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

S 45

Sources: Sources are noted on the individual schedules. The City implemented GASB Statement 63 in 2012; schedules presenting net position began that year.

CITY OF DAYTON, OHIO

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

| | 2008 (1) | 2009 (1) | 2010 | 2011 (1) (2) |
|----------------------------------------------------|-------------------------|-----------------------|-----------------------|-------------------------|
| Governmental activities | | | | |
| Net investment in capital assets | \$ 282,480,043 | \$ 300,486,474 | \$ 321,452,359 | \$ 332,540,773 |
| Restricted | 378,805,983 | 91,563,337 | 99,691,871 | 77,231,301 |
| Unrestricted | 16,945,325 | 10,040,732 | 7,086,581 | 42,181,978 |
| Total governmental activities net assets/position | <u>\$ 678,231,351</u> | <u>\$ 402,090,543</u> | <u>\$ 428,230,811</u> | <u>\$ 451,954,052</u> |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 389,630,233 | \$ 401,965,547 | \$ 419,111,268 | \$ 429,634,383 |
| Restricted | - | - | - | - |
| Unrestricted | 144,931,193 | 144,144,446 | 146,350,941 | 145,543,923 |
| Total business-type activities net assets/position | <u>\$ 534,561,426</u> | <u>\$ 546,109,993</u> | <u>\$ 565,462,209</u> | <u>\$ 575,178,306</u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 672,110,276 | \$ 702,452,021 | \$ 740,563,627 | \$ 762,175,156 |
| Restricted | 378,805,983 | 91,563,337 | 99,691,871 | 77,231,301 |
| Unrestricted | 161,876,518 | 154,185,178 | 153,437,522 | 187,725,901 |
| Total primary government net assets/position | <u>\$ 1,212,792,777</u> | <u>\$ 948,200,536</u> | <u>\$ 993,693,020</u> | <u>\$ 1,027,132,358</u> |

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

(2) The City implemented GASB Statements No. 63 and 65 in 2012.

Only balances after December 31, 2011 are presented in accordance with GASB Statements No. 63 and 65.

(3) Amounts have been restated to reflect the implementation of GASB Statements No. 68 and 71, which were implemented in 2015.

Source: City of Dayton financial records

| 2012 (1) | 2013 | 2014 (3) | 2015 | 2016 (1) | 2017 |
|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| \$ 370,313,674 | \$ 375,002,891 | \$ 380,538,467 | \$ 378,194,645 | \$ 372,458,561 | \$ 398,432,088 |
| 71,969,027 | 63,085,637 | 60,235,431 | 63,381,287 | 57,403,783 | 46,244,345 |
| 58,329,858 | 71,855,215 | (29,254,490) | (28,570,356) | (29,568,811) | (55,083,379) |
| <u>\$ 500,612,559</u> | <u>\$ 509,943,743</u> | <u>\$ 411,519,408</u> | <u>\$ 413,005,576</u> | <u>\$ 400,293,533</u> | <u>\$ 389,593,054</u> |
| | | | | | |
| \$ 401,528,337 | \$ 407,888,085 | \$ 420,343,386 | \$ 451,108,014 | \$ 461,538,909 | \$ 481,494,371 |
| - | - | - | - | 9,514,757 | 9,737,907 |
| 190,338,004 | 191,931,048 | 161,812,038 | 149,357,573 | 145,505,912 | 122,254,672 |
| <u>\$ 591,866,341</u> | <u>\$ 599,819,133</u> | <u>\$ 582,155,424</u> | <u>\$ 600,465,587</u> | <u>\$ 616,559,578</u> | <u>\$ 613,486,950</u> |
| | | | | | |
| \$ 771,842,011 | \$ 782,890,976 | \$ 800,881,853 | \$ 829,302,659 | \$ 833,997,470 | \$ 879,926,459 |
| 71,969,027 | 63,085,637 | 60,235,431 | 63,381,287 | 66,918,540 | 55,982,252 |
| 248,667,862 | 263,786,263 | 132,557,548 | 120,787,217 | 115,937,101 | 67,171,293 |
| <u>\$ 1,092,478,900</u> | <u>\$ 1,109,762,876</u> | <u>\$ 993,674,832</u> | <u>\$ 1,013,471,163</u> | <u>\$ 1,016,853,111</u> | <u>\$ 1,003,080,004</u> |

CITY OF DAYTON, OHIO

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

| | 2008 | 2009 | 2010 | 2011 (1) |
|-------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| Downtown | \$ 5,570,112 | \$ 5,182,850 | \$ 5,159,078 | \$ 2,922,503 |
| Youth, education and human services | 2,583,667 | 2,264,862 | 2,514,310 | 2,395,344 |
| Community development and neighbors | 21,460,067 | 21,342,171 | 26,843,290 | 32,086,879 |
| Economic development | 9,810,580 | 14,263,940 | 8,432,763 | 10,105,180 |
| Leadership and quality of life | 48,563,961 | 47,091,889 | 41,299,206 | 40,275,561 |
| Corporate responsibility | 17,442,665 | 17,707,683 | 16,832,625 | 15,884,692 |
| Public safety and justice | 101,533,014 | 95,706,450 | 96,284,218 | 94,294,723 |
| Other | 683,122 | - | - | - |
| Bond issuance costs | - | - | - | - |
| Interest and fiscal charges | 4,849,682 | 3,620,502 | 3,978,196 | 4,556,429 |
| Total governmental activities expenses | 212,496,870 | 207,180,347 | 201,343,686 | 202,521,311 |
| Business type activities: | | | | |
| Dayton International Airport | 31,958,820 | 40,310,513 | 30,688,222 | 32,572,362 |
| Water | 45,811,605 | 45,672,640 | 46,619,869 | 47,618,625 |
| Sewer | 30,855,192 | 31,994,865 | 30,931,209 | 32,420,315 |
| Golf | 3,196,937 | 3,281,384 | 3,026,601 | 2,922,959 |
| Storm Water | 5,090,241 | 5,401,928 | 6,389,207 | 6,177,790 |
| Total business-type activities expenses | 116,912,795 | 126,661,330 | 117,655,108 | 121,712,051 |
| Total primary government expenses | \$ 329,409,665 | \$ 333,841,677 | \$ 318,998,794 | \$ 324,233,362 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Downtown | \$ 570,059 | \$ 588,229 | \$ 629,749 | \$ 672,824 |
| Youth, education and human services | 40,322 | 7,618 | 7,092 | 8,674 |
| Community development and neighbors | 2,313,335 | 2,289,894 | 2,240,217 | 3,106,283 |
| Economic development | 1,161,369 | 1,438,105 | 4,317,785 | 1,997,277 |
| Leadership and quality of life | 5,128,446 | 4,411,912 | 6,136,336 | 5,673,292 |
| Corporate responsibility | 2,341,620 | 2,853,032 | 2,452,413 | 3,118,657 |
| Public safety and justice | 17,328,246 | 17,398,578 | 18,243,867 | 22,027,599 |
| Other | 27,277 | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Operating grants and contributions | 20,423,979 | 24,147,823 | 33,479,834 | 35,387,609 |
| Capital grants and contributions | 13,489,575 | 25,771,047 | 17,935,099 | 12,849,894 |
| Total governmental activities program revenue | 62,824,228 | 78,906,238 | 85,442,392 | 84,842,109 |
| Business type activities: | | | | |
| Charges for services: | | | | |
| Dayton International Airport | 31,067,418 | 30,655,950 | 25,673,711 | 23,644,457 |
| Water | 48,944,620 | 47,743,750 | 49,318,157 | 43,529,551 |
| Sewer | 30,398,157 | 30,998,739 | 32,558,557 | 30,119,740 |
| Golf | 3,291,376 | 3,250,241 | 3,180,466 | 2,946,618 |
| Storm Water | 6,688,476 | 7,083,455 | 7,213,504 | 5,264,927 |
| Capital grants and contributions | 21,316,626 | 17,098,233 | 18,967,012 | 14,064,510 |
| Total business-type activities program revenue | 141,706,673 | 136,830,368 | 136,911,407 | 119,569,803 |
| Total primary government program revenue | \$ 204,530,901 | \$ 215,736,606 | \$ 222,353,799 | \$ 204,411,912 |

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 3,894,895 | \$ 3,596,856 | \$ 3,973,957 | \$ 3,796,899 | \$ 3,653,125 | \$ 3,204,951 |
| | 1,058,361 | 2,904,850 | 3,499,722 | 550,914 | 120,375 | 219,529 |
| | 31,880,468 | 27,516,705 | 22,225,850 | 23,517,538 | 20,766,486 | 20,646,893 |
| | 9,492,689 | 15,682,768 | 13,940,292 | 15,401,684 | 10,273,961 | 26,135,222 |
| | 35,672,811 | 42,108,488 | 42,943,946 | 46,597,492 | 43,181,443 | 43,843,557 |
| | 15,225,815 | 16,027,649 | 14,189,753 | 15,284,297 | 16,482,483 | 18,800,773 |
| | 93,120,303 | 93,221,162 | 90,511,356 | 97,757,003 | 107,505,250 | 110,670,677 |
| | - | - | - | - | - | - |
| | 693,878 | - | 195,142 | - | - | - |
| | 2,767,292 | 2,958,434 | 2,608,301 | 2,942,225 | 3,074,675 | 2,845,159 |
| | <u>193,806,512</u> | <u>204,016,912</u> | <u>194,088,319</u> | <u>205,848,052</u> | <u>205,057,798</u> | <u>226,366,761</u> |
| | 36,571,471 | 40,954,651 | 41,476,361 | 42,627,742 | 39,640,671 | 45,920,196 |
| | 44,084,645 | 46,445,617 | 46,245,372 | 45,493,204 | 49,944,784 | 56,194,400 |
| | 29,765,334 | 31,515,981 | 29,448,754 | 28,009,025 | 30,326,605 | 32,211,627 |
| | 3,123,360 | 2,956,261 | 2,957,656 | 3,026,642 | 2,991,868 | 3,114,227 |
| | 4,997,022 | 5,312,757 | 5,480,442 | 5,662,740 | 5,700,888 | 7,110,595 |
| | <u>118,541,832</u> | <u>127,185,267</u> | <u>125,608,585</u> | <u>124,819,353</u> | <u>128,604,816</u> | <u>144,551,045</u> |
| \$ | <u>312,348,344</u> | <u>\$ 331,202,179</u> | <u>\$ 319,696,904</u> | <u>\$ 330,667,405</u> | <u>\$ 333,662,614</u> | <u>\$ 370,917,806</u> |
| \$ | 531,072 | \$ 571,365 | \$ 572,477 | \$ 659,723 | \$ 625,740 | \$ 472,445 |
| | 11,032 | 17,205 | 7,965 | 27,903 | 18,846 | 15,681 |
| | 2,547,442 | 3,456,330 | 3,017,823 | 2,675,576 | 2,394,632 | 2,210,260 |
| | 2,445,796 | 3,446,864 | 6,401,968 | 2,769,150 | 2,237,230 | 2,821,264 |
| | 5,001,134 | 6,942,907 | 13,688,808 | 5,811,184 | 7,049,529 | 5,968,710 |
| | 2,518,064 | 2,667,492 | 2,850,358 | 2,834,131 | 2,738,963 | 2,558,164 |
| | 23,624,400 | 21,385,906 | 25,704,452 | 20,823,804 | 18,653,411 | 17,943,019 |
| | - | - | - | - | - | - |
| | - | - | 158,829 | 168,771 | - | - |
| | 34,438,364 | 24,584,286 | 25,909,216 | 21,715,944 | 15,921,133 | 14,355,175 |
| | 12,626,114 | 11,761,088 | 7,184,234 | 8,771,868 | 13,275,111 | 12,766,815 |
| | <u>83,743,418</u> | <u>74,833,443</u> | <u>85,496,130</u> | <u>66,258,054</u> | <u>62,914,595</u> | <u>59,111,533</u> |
| | 24,508,791 | 24,723,701 | 26,454,375 | 24,974,019 | 26,086,061 | 27,065,242 |
| | 45,700,719 | 44,291,334 | 47,702,941 | 47,377,507 | 49,912,404 | 48,891,167 |
| | 33,115,458 | 30,245,346 | 32,034,019 | 33,960,790 | 32,309,554 | 33,845,779 |
| | 3,123,224 | 2,997,480 | 2,874,737 | 2,923,295 | 2,780,282 | 2,746,574 |
| | 7,383,856 | 7,345,250 | 7,330,340 | 7,432,885 | 7,359,366 | 7,534,843 |
| | 10,436,869 | 13,857,011 | 7,939,351 | 14,318,883 | 13,605,971 | 6,176,726 |
| | <u>124,268,917</u> | <u>123,460,122</u> | <u>124,335,763</u> | <u>130,987,379</u> | <u>132,053,638</u> | <u>126,260,331</u> |
| \$ | <u>208,012,335</u> | <u>\$ 198,293,565</u> | <u>\$ 209,831,893</u> | <u>\$ 197,245,433</u> | <u>\$ 194,968,233</u> | <u>\$ 185,371,864</u> |

-- Continued

CITY OF DAYTON, OHIO

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

| | 2008 | 2009 | 2010 | 2011 (1) |
|----------------------------------------------------------------------|-------------------------|-------------------------|------------------------|-------------------------|
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (149,672,642) | \$ (128,274,109) | \$ (115,901,294) | \$ (117,679,202) |
| Business-type activities | 24,793,878 | 10,169,038 | 19,256,299 | (2,142,248) |
| Total primary government net expense | <u>\$ (124,878,764)</u> | <u>\$ (118,105,071)</u> | <u>\$ (96,644,995)</u> | <u>\$ (119,821,450)</u> |
| General Revenues and Other Changes in Net Assets/Position | | | | |
| Governmental activities: | | | | |
| Property taxes | \$ 24,167,118 | \$ 19,070,860 | \$ 18,798,224 | \$ 19,373,301 |
| Income taxes | 108,868,331 | 99,817,917 | 98,399,957 | 100,129,761 |
| Payments in lieu of taxes | - | - | 1,426,155 | 669,323 |
| Grants and entitlements | 17,912,684 | 14,827,230 | 16,327,237 | 19,159,472 |
| Investment earnings | 5,340,622 | 1,311,141 | 1,960,831 | 1,945,150 |
| Miscellaneous | 11,889,101 | 4,673,485 | 5,123,860 | 1,199,153 |
| Transfers | 344,798 | (662,961) | 5,298 | 368,339 |
| Total governmental activities general revenues | <u>168,522,654</u> | <u>139,037,672</u> | <u>142,041,562</u> | <u>142,844,499</u> |
| Business type activities: | | | | |
| Investment earnings | 2,764,220 | 716,568 | 101,215 | 236,896 |
| Miscellaneous | - | - | - | 13,509,995 |
| Gain on sale of capital assets | - | - | - | - |
| Transfers | (344,798) | 662,961 | (5,298) | (368,339) |
| Total business-type activities | <u>2,419,422</u> | <u>1,379,529</u> | <u>95,917</u> | <u>13,378,552</u> |
| Total primary government | <u>\$ 170,942,076</u> | <u>\$ 140,417,201</u> | <u>\$ 142,137,479</u> | <u>\$ 156,223,051</u> |
| Changes in Net Assets/Position | | | | |
| Governmental activities | \$ 18,850,012 | \$ 10,763,563 | \$ 26,140,268 | \$ 25,165,297 |
| Business-type activities | 27,213,300 | 11,548,567 | 19,352,216 | 11,236,304 |
| Total primary government | <u>\$ 46,063,312</u> | <u>\$ 22,312,130</u> | <u>\$ 45,492,484</u> | <u>\$ 36,401,601</u> |

(1) The City implemented GASB Statements No. 63 and 65 in 2012.

Only balances after December 31, 2011 are presented in accordance with GASB Statement No. 63.

Source: City of Dayton financial records

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ (110,063,094) | \$ (129,183,469) | \$ (108,592,189) | \$ (139,589,998) | \$ (142,143,203) | \$ (167,255,228) |
| 5,727,085 | (3,725,145) | (1,272,822) | 6,168,026 | 3,448,822 | (18,290,714) |
| <u>\$ (104,336,009)</u> | <u>\$ (132,908,614)</u> | <u>\$ (109,865,011)</u> | <u>\$ (133,421,972)</u> | <u>\$ (138,694,381)</u> | <u>\$ (185,545,942)</u> |
| | | | | | |
| \$ 10,055,324 | \$ 14,355,108 | \$ 12,918,102 | \$ 12,155,647 | \$ 12,530,977 | \$ 9,749,960 |
| 100,336,653 | 101,967,172 | 103,721,834 | 107,633,425 | 109,275,331 | 125,253,442 |
| 1,076,054 | 1,406,710 | 1,771,683 | 1,599,086 | 1,639,517 | 1,997,895 |
| 14,833,540 | 15,376,160 | 15,529,135 | 14,236,917 | 14,475,022 | 13,618,351 |
| 1,931,883 | 1,241,997 | 1,722,766 | 1,852,285 | 2,258,330 | 2,118,284 |
| 3,848,415 | 4,167,506 | 3,453,599 | 3,598,806 | 3,399,230 | 4,334,317 |
| 354,169 | - | (360,000) | - | (501,000) | (517,500) |
| <u>132,436,038</u> | <u>138,514,653</u> | <u>138,757,119</u> | <u>141,076,166</u> | <u>143,077,407</u> | <u>156,554,749</u> |
| | | | | | |
| 557,911 | 113,372 | 485,592 | 535,994 | 863,088 | 1,552,267 |
| 10,757,208 | 11,564,565 | 12,044,998 | 11,606,143 | 12,535,999 | 13,148,319 |
| - | - | - | - | - | - |
| (354,169) | - | 360,000 | - | 501,000 | 517,500 |
| <u>10,960,950</u> | <u>11,677,937</u> | <u>12,890,590</u> | <u>12,142,137</u> | <u>13,900,087</u> | <u>15,218,086</u> |
| <u>\$ 143,396,988</u> | <u>\$ 150,192,590</u> | <u>\$ 151,647,709</u> | <u>\$ 153,218,303</u> | <u>\$ 156,977,494</u> | <u>\$ 171,772,835</u> |
| | | | | | |
| \$ 22,372,944 | \$ 9,331,184 | \$ 30,164,930 | \$ 1,486,168 | \$ 934,204 | \$ (10,700,479) |
| 16,688,035 | 7,952,792 | 11,617,768 | 18,310,163 | 17,348,909 | (3,072,628) |
| <u>\$ 39,060,979</u> | <u>\$ 17,283,976</u> | <u>\$ 41,782,698</u> | <u>\$ 19,796,331</u> | <u>\$ 18,283,113</u> | <u>\$ (13,773,107)</u> |

CITY OF DAYTON, OHIO

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

| | 2008 (2) | 2009 | 2010 | 2011 (1) (2) |
|------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Fund | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 9,695,165 |
| Committed | - | - | - | 4,543,378 |
| Assigned | - | - | - | 11,900,572 |
| Unassigned | - | - | - | 29,291,035 |
| Reserved | 2,418,755 | 3,571,816 | 3,131,124 | - |
| Unreserved, reported in: | | | | |
| Designated for future years' expenditure: | 10,172,634 | 6,585,539 | 5,322,656 | - |
| Undesignated | 31,002,915 | 25,681,059 | 26,153,904 | - |
| Total general fund | \$ 43,594,304 | \$ 35,838,414 | \$ 34,607,684 | \$ 55,430,150 |
| Other Special Revenue | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 476 |
| Restricted | - | - | - | 5,821,124 |
| Reserved | 3,449,888 | 3,397,002 | 8,141,647 | - |
| Unreserved (deficit), reported in: | | | | |
| Special revenue funds | 8,226,916 | 9,163,395 | 6,104,504 | - |
| Total other special revenue | \$ 11,676,804 | \$ 12,560,397 | \$ 14,246,151 | \$ 5,821,600 |
| Debt Service Fund | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 553 |
| Restricted | - | - | - | 39,378,381 |
| Committed | - | - | - | 192,652 |
| Reserved | 43,092,546 | 42,188,046 | 42,541,211 | - |
| Total debt service fund | \$ 43,092,546 | \$ 42,188,046 | \$ 42,541,211 | \$ 39,571,586 |
| Capital Improvement Fund | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | 4,758,591 |
| Committed | - | - | - | 5,026,521 |
| Assigned | - | - | - | 11,243,145 |
| Reserved | 27,221,279 | 26,133,688 | 28,184,390 | - |
| Unreserved (deficit) | (10,819,429) | (21,142,062) | (18,628,322) | - |
| Total capital improvement fund | \$ 16,401,850 | \$ 4,991,626 | \$ 9,556,068 | \$ 21,028,257 |
| Other governmental Funds | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 102,228 |
| Restricted | - | - | - | 11,128,174 |
| Reserved | 28,917,903 | 46,929,773 | 76,695,945 | - |
| Unreserved (deficit), reported in: | | | | |
| Designated, special revenue funds | 1,116,000 | 398,848 | - | - |
| Special revenue funds | (14,876,682) | (31,069,843) | (57,406,792) | - |
| Permanent fund | 60,413 | 76,302 | 70,250 | - |
| Total governmental funds | \$ 15,217,634 | \$ 16,335,080 | \$ 19,359,403 | \$ 11,230,402 |
| Total Fund Balances, Governmental Funds | \$ 129,983,138 | \$ 111,913,563 | \$ 120,310,517 | \$ 133,081,995 |

(1) The City implemented GASB Statement No. 54 in 2011.

Only balances after December 31, 2011 are presented in accordance with GASB Statement No. 54.

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

Source: City of Dayton financial records

| | 2012 (2) | 2013 | 2014 | 2015 | 2016 | 2017 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 10,166,112 | \$ 10,556,945 | \$ 11,113,881 | \$ 10,582,684 | \$ 11,130,189 | \$ 4,204,941 |
| | 2,952,023 | 1,877,155 | 1,985,533 | 2,551,240 | 1,765,917 | 2,796,237 |
| | 17,106,981 | 22,147,568 | 21,268,158 | 20,365,988 | 26,532,688 | 22,539,046 |
| | 31,114,283 | 26,287,308 | 27,221,281 | 28,939,568 | 23,499,869 | 32,724,803 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| \$ | <u>61,339,399</u> | <u>\$ 60,868,976</u> | <u>\$ 61,588,853</u> | <u>\$ 62,439,480</u> | <u>\$ 62,928,663</u> | <u>\$ 62,265,027</u> |
| | | \$ - | \$ 500 | \$ 3,163 | \$ - | \$ - |
| | 5,971,337 | 5,678,456 | 5,420,505 | 5,782,016 | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| \$ | <u>5,971,337</u> | <u>\$ 5,678,456</u> | <u>\$ 5,421,005</u> | <u>\$ 5,785,179</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 28,369,891 | 26,962,021 | 26,915,684 | 27,686,642 | 28,459,284 | 28,241,475 |
| | 331,130 | 407,021 | 419,906 | 408,494 | 416,466 | 422,416 |
| | - | - | - | - | - | - |
| \$ | <u>28,701,021</u> | <u>\$ 27,369,042</u> | <u>\$ 27,335,590</u> | <u>\$ 28,095,136</u> | <u>\$ 28,875,750</u> | <u>\$ 28,663,891</u> |
| \$ | - | \$ 6,563 | \$ - | \$ - | \$ - | \$ - |
| | 10,424,439 | 8,427,005 | 15,704,146 | 9,434,711 | 17,575,596 | 5,126,467 |
| | 8,436,236 | 9,591,625 | 8,310,682 | 7,302,188 | 7,875,468 | 7,284,916 |
| | 6,790,703 | 8,885,969 | 8,203,654 | 10,779,323 | 6,301,554 | 7,070,596 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| \$ | <u>25,651,378</u> | <u>\$ 26,911,162</u> | <u>\$ 32,218,482</u> | <u>\$ 27,516,222</u> | <u>\$ 31,752,618</u> | <u>\$ 19,481,979</u> |
| \$ | 103,727 | \$ 102,228 | \$ 102,228 | \$ 102,228 | \$ 914,376 | \$ 756,993 |
| | 10,856,667 | 8,104,755 | 11,755,537 | 8,216,413 | 13,151,325 | 13,468,783 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | (209,996) | - | - |
| | - | - | - | - | - | - |
| \$ | <u>10,960,394</u> | <u>\$ 8,206,983</u> | <u>\$ 11,857,765</u> | <u>\$ 8,108,645</u> | <u>\$ 14,065,701</u> | <u>\$ 14,225,776</u> |
| \$ | <u>132,623,529</u> | <u>\$ 129,034,619</u> | <u>\$ 138,421,695</u> | <u>\$ 131,944,662</u> | <u>\$ 137,622,732</u> | <u>\$ 124,636,673</u> |

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

| | 2008 | 2009 | 2010 | 2011 |
|----------------------------------------------------------------|----------------------|------------------------|---------------------|----------------------|
| Revenues | | | | |
| Taxes | \$ 152,514,608 | \$ 139,011,038 | \$ 136,753,834 | \$ 134,006,534 |
| Charges for services | 23,926,449 | 25,037,733 | 26,265,870 | 26,910,213 |
| Licenses and permits | 1,817,153 | 1,630,319 | 1,314,956 | 1,561,850 |
| Fines and forfeits | 2,908,861 | 2,106,189 | 2,276,856 | 2,402,917 |
| Intergovernmental | 25,707,748 | 39,699,451 | 50,996,557 | 55,538,646 |
| Special assessments | 546,047 | 422,608 | 380,767 | 333,328 |
| Payments in lieu of taxes | - | - | 1,039,654 | 604,596 |
| Investment income | 4,286,751 | 2,927,657 | 1,926,077 | 1,730,915 |
| Increase (decrease) in FMV of investments | 599,485 | (1,085,864) | 50,814 | 186,772 |
| Other | 11,889,101 | 4,648,485 | 9,506,045 | 4,148,279 |
| Total revenues | <u>224,196,203</u> | <u>214,397,616</u> | <u>230,511,430</u> | <u>227,424,050</u> |
| Expenditures | | | | |
| Current: | | | | |
| Downtown | 4,604,197 | 4,143,788 | 4,117,582 | 3,804,513 |
| Youth, education and human services | 2,581,447 | 2,280,237 | 2,512,611 | 2,409,496 |
| Community development and neighborhoods | 20,981,602 | 22,259,601 | 26,873,157 | 32,366,889 |
| Economic development | 11,191,284 | 15,047,900 | 13,900,769 | 10,063,494 |
| Leadership and quality life | 41,676,303 | 40,991,411 | 41,347,850 | 30,741,740 |
| Corporate responsibility | 16,401,770 | 17,125,159 | 15,536,916 | 14,967,599 |
| Public safety and justice | 100,009,551 | 95,240,850 | 95,698,192 | 93,849,670 |
| Other | 685,888 | - | - | - |
| Capital outlay | 24,852,628 | 34,908,638 | 18,226,238 | 15,253,781 |
| Debt service: | | | | |
| Principal retirement | 6,652,464 | 8,047,222 | 8,030,000 | 9,516,702 |
| Interest and fiscal charges | 4,707,848 | 3,557,790 | 3,828,281 | 4,401,891 |
| Bond issuance costs | 598,836 | 586,476 | 137,068 | - |
| Total expenditures | <u>234,943,818</u> | <u>244,189,072</u> | <u>230,208,664</u> | <u>217,375,775</u> |
| Excess(deficiency) of revenues over expenditures | (10,747,615) | (29,791,456) | 302,766 | 10,048,275 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 9,831,205 | 11,818,503 | 12,481,039 | 6,767,335 |
| Transfers out | (9,556,407) | (12,678,413) | (12,488,042) | (6,455,775) |
| Bonds issued | 32,000,000 | 34,408,111 | 5,180,000 | 1,615,000 |
| Issuance of loans | 239,750 | - | 2,860,000 | - |
| Payment of refunded bond escrow agent | - | (22,528,097) | - | - |
| Premium (discount) on bond issuance | (348,901) | 311,474 | 13,884 | - |
| (Discount) on note issuance | - | - | - | - |
| Capital lease transactions | - | - | - | - |
| Total other financing sources (uses) | <u>32,165,647</u> | <u>11,331,578</u> | <u>8,046,881</u> | <u>1,926,560</u> |
| Net change in fund balance | <u>\$ 21,418,032</u> | <u>\$ (18,459,878)</u> | <u>\$ 8,349,647</u> | <u>\$ 11,974,835</u> |
| Capital expenditures | \$ 24,555,847 | \$ 39,799,258 | \$ 29,626,529 | \$ 18,744,758 |
| Debt service as a percentage of noncapital expenditures | 5.40% | 5.68% | 5.91% | 7.01% |

Source: City of Dayton financial records

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------|-----------------------|---------------------|-----------------------|---------------------|------------------------|
| \$ 128,586,427 | \$ 131,413,081 | \$ 132,423,102 | \$ 134,876,542 | \$ 134,469,794 | \$ 149,848,719 |
| 27,256,576 | 26,855,263 | 27,395,234 | 28,978,808 | 28,108,799 | 26,429,834 |
| 1,616,712 | 1,458,434 | 1,381,915 | 1,549,259 | 1,580,745 | 1,781,833 |
| 5,926,766 | 4,217,985 | 3,815,470 | 2,737,317 | 1,383,357 | 900,272 |
| 45,662,634 | 38,037,763 | 31,756,758 | 27,257,994 | 34,659,554 | 30,456,805 |
| 297,589 | 344,211 | 754,970 | 2,778,402 | 3,016,394 | 2,971,185 |
| 873,495 | 1,195,609 | 1,590,825 | 1,757,149 | 1,687,149 | 2,919,537 |
| 1,858,064 | 1,497,795 | 1,639,315 | 1,675,558 | 2,636,156 | 2,451,887 |
| 80,325 | (240,888) | 32,885 | (16,440) | (470,837) | (486,307) |
| 6,282,291 | 9,830,450 | 5,528,609 | 5,878,638 | 5,807,497 | 6,885,769 |
| <u>218,440,879</u> | <u>214,609,703</u> | <u>206,319,083</u> | <u>207,473,227</u> | <u>212,878,608</u> | <u>224,159,534</u> |
| 3,346,771 | 3,139,384 | 3,183,464 | 3,500,198 | 3,468,162 | 2,842,200 |
| 2,518,658 | 2,902,251 | 708,900 | 493,757 | 104,913 | 94,338 |
| 31,889,756 | 28,406,652 | 22,550,030 | 23,458,563 | 21,967,449 | 21,003,433 |
| 9,529,602 | 15,142,478 | 13,346,277 | 14,864,797 | 9,646,066 | 17,984,798 |
| 28,678,675 | 32,029,419 | 32,784,866 | 36,273,704 | 36,858,771 | 36,259,335 |
| 13,901,301 | 15,163,461 | 15,486,893 | 14,800,055 | 15,410,341 | 15,838,901 |
| 94,598,883 | 95,650,844 | 95,477,660 | 94,684,266 | 98,253,686 | 101,559,290 |
| - | - | - | - | - | - |
| 16,942,861 | 14,798,332 | 16,329,574 | 15,878,315 | 20,836,262 | 30,667,930 |
| 9,918,875 | 8,446,175 | 7,708,143 | 7,062,185 | 8,583,778 | 7,422,744 |
| 2,785,143 | 3,164,241 | 2,843,361 | 3,052,165 | 2,844,231 | 3,072,686 |
| 693,878 | - | 195,142 | - | 323,854 | - |
| <u>214,804,403</u> | <u>218,843,237</u> | <u>210,614,310</u> | <u>214,068,005</u> | <u>218,297,513</u> | <u>236,745,655</u> |
| 3,636,476 | (4,233,534) | (4,295,227) | (6,594,778) | (5,418,905) | (12,586,121) |
| 8,590,551 | 6,838,592 | 6,076,041 | 9,500,959 | 5,504,550 | 9,699,537 |
| (8,168,518) | (6,750,939) | (6,318,132) | (9,383,214) | (5,892,656) | (10,099,475) |
| 35,555,000 | - | 9,240,000 | - | 12,210,000 | - |
| - | 556,971 | 2,500,000 | - | 1,099,888 | - |
| (35,364,951) | - | - | - | (2,876,310) | - |
| 5,435,222 | - | 249,270 | - | 1,051,503 | - |
| - | - | (60,196) | - | - | - |
| - | - | 1,995,320 | - | - | - |
| <u>6,047,304</u> | <u>644,624</u> | <u>13,682,303</u> | <u>117,745</u> | <u>11,096,975</u> | <u>(399,938)</u> |
| <u>\$ 9,683,780</u> | <u>\$ (3,588,910)</u> | <u>\$ 9,387,076</u> | <u>\$ (6,477,033)</u> | <u>\$ 5,678,070</u> | <u>\$ (12,986,059)</u> |
| \$ 21,668,262 | \$ 16,716,779 | \$ 19,494,767 | \$ 15,725,633 | \$ 29,324,228 | \$ 31,630,721 |
| 6.58% | 5.74% | 5.52% | 5.10% | 6.05% | 5.12% |

CITY OF DAYTON, OHIO

**GROSS INCOME TAX REVENUE BY PAYER TYPE
LAST TEN FISCAL YEARS**

| Year | Withholding | % of withholding to total | Total Non-withholding | % of non-withholding to total | Total | Individual Accounts | % of individual to total | Business Accounts | % of Business to total | Total |
|------|---------------|---------------------------|-----------------------|-------------------------------|----------------|---------------------|--------------------------|-------------------|------------------------|----------------|
| 2008 | \$ 96,917,767 | 85.31% | \$ 16,683,194 | 14.69% | \$ 113,600,961 | \$ 5,041,787 | 4.44% | \$ 11,641,406 | 10.25% | \$ 113,600,961 |
| 2009 | 90,581,920 | 87.41% | 13,048,061 | 12.59% | 103,629,981 | 4,485,865 | 4.33% | 8,562,196 | 8.26% | 103,629,981 |
| 2010 | 87,502,256 | 86.64% | 13,497,453 | 13.36% | 100,999,709 | 4,073,345 | 4.03% | 9,424,110 | 9.33% | 100,999,709 |
| 2011 | 86,866,507 | 84.51% | 15,915,982 | 15.49% | 102,782,489 | 4,732,700 | 4.60% | 11,183,282 | 10.88% | 102,782,489 |
| 2012 | 89,759,346 | 86.27% | 14,286,616 | 13.73% | 104,045,962 | 4,129,840 | 3.97% | 10,156,776 | 9.76% | 104,045,962 |
| 2013 | 88,682,519 | 84.47% | 16,301,796 | 15.53% | 104,984,315 | 4,482,437 | 4.27% | 11,819,358 | 11.26% | 104,984,315 |
| 2014 | 89,661,242 | 84.68% | 16,219,013 | 15.32% | 105,880,255 | 4,323,182 | 4.08% | 11,895,831 | 11.24% | 105,880,255 |
| 2015 | 93,006,624 | 85.30% | 16,028,674 | 14.70% | 109,035,298 | 4,274,278 | 3.92% | 11,754,396 | 10.78% | 109,035,298 |
| 2016 | 95,785,501 | 86.31% | 15,193,511 | 13.69% | 110,979,012 | 4,528,649 | 4.08% | 10,664,862 | 9.61% | 110,979,012 |
| 2017 | 108,269,956 | 87.43% | 15,564,839 | 12.57% | 123,834,795 | 5,280,807 | 4.26% | 10,284,031 | 8.30% | 123,834,795 |

**INCOME TAX FUND REVENUE DISTRIBUTION
NET OF REFUNDS
LAST TEN FISCAL YEARS**

| Year | Budget Basis | | | GAAP (Modified Accrual Basis) | | |
|------|----------------|----------------|-----------------------|-------------------------------|----------------|-----------------------|
| | General Fund | Total | % Increase (Decrease) | General Fund | Total | % Increase (Decrease) |
| 2008 | \$ 110,449,891 | \$ 110,449,891 | -2.08% | \$ 109,008,881 | \$ 109,008,881 | -3.67% |
| 2009 | 100,430,248 | 100,430,248 | -9.07% | 99,831,456 | 99,831,456 | -8.42% |
| 2010 | 98,205,983 | 98,205,983 | -2.21% | 98,824,027 | 98,824,027 | -1.01% |
| 2011 | 99,668,943 | 99,668,943 | 1.49% | 100,362,688 | 100,362,688 | 1.56% |
| 2012 | 101,624,151 | 101,624,151 | 1.96% | 100,450,896 | 100,450,896 | 0.09% |
| 2013 | 101,934,268 | 101,934,268 | 2.27% | 101,359,488 | 101,359,488 | 0.99% |
| 2014 | 102,649,505 | 102,649,505 | 1.01% | 103,916,809 | 103,916,809 | 3.45% |
| 2015 | 106,661,923 | 106,661,923 | 4.64% | 107,375,864 | 107,375,864 | 5.94% |
| 2016 | 117,658,900 | 117,658,900 | 10.31% | 113,461,023 | 113,461,023 | 9.18% |
| 2017 | 110,795,400 | 110,795,400 | -5.83% | 121,733,746 | 121,733,746 | 13.37% |

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

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

| <u>Fiscal year</u> | <u>Total tax levy</u> | <u>Current tax collections</u> | <u>Percent of levy collected</u> | <u>Delinquent tax collections (1)</u> | <u>Total tax collections</u> | <u>Percent of total tax collections to tax levy</u> | <u>Outstanding delinquent taxes</u> | <u>Percent of outstanding delinquent taxes to tax levy</u> |
|--------------------------|-----------------------|--------------------------------|----------------------------------|---------------------------------------|------------------------------|-----------------------------------------------------|-------------------------------------|------------------------------------------------------------|
| <u>Montgomery County</u> | | | | | | | | |
| 2008 | \$ 19,483,451 | \$ 17,932,392 | 92.04% | \$ 1,661,231 | \$ 19,593,623 | 100.57% | \$ 5,911,972 | 30.34% |
| 2009 | 18,205,975 | 17,052,225 | 93.66% | 1,195,497 | 18,247,722 | 100.23% | 4,700,112 | 25.82% |
| 2010 | 17,867,159 | 16,460,622 | 92.13% | 957,426 | 17,418,048 | 97.49% | 5,879,954 | 32.91% |
| 2011 | 16,976,964 | 15,321,147 | 90.25% | 890,712 | 16,211,859 | 95.49% | 6,723,836 | 39.61% |
| 2012 | 15,724,338 | 13,342,279 | 84.85% | 982,606 | 14,324,885 | 91.10% | 6,590,787 | 41.91% |
| 2013 | 15,270,433 | 13,344,519 | 87.39% | 895,002 | 14,239,521 | 93.25% | 7,927,702 | 51.92% |
| 2014 | 15,459,902 | 13,432,271 | 86.88% | 1,136,015 | 14,568,286 | 94.23% | 8,043,185 | 52.03% |
| 2015 | 14,207,597 | 12,559,556 | 88.40% | 1,110,059 | 13,669,615 | 96.21% | 8,141,799 | 57.31% |
| 2016 | 14,190,924 | 12,631,228 | 89.01% | 1,088,396 | 13,719,624 | 96.68% | 8,538,215 | 60.17% |
| 2017 | 14,226,435 | 12,766,366 | 89.74% | 980,504 | 13,746,870 | 96.63% | 8,399,679 | 59.04% |

(1) Delinquent tax records are maintained by an external agency, Montgomery County. The agency does not currently track delinquent taxes by levy year and the City is researching other options for capturing this data for future reporting.

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 (1) | | Public Utilities | |
|--------------------------|------|------------------|------------------------|-----------------------|------------------------|------------------|------------------------|
| | | Assessed value | Estimated actual value | Assessed value | Estimated actual value | Assessed value | Estimated actual value |
| <u>Montgomery County</u> | | | | | | | |
| 2008 | 2009 | \$ 1,732,074,470 | \$ 4,948,784,200 | \$ 13,367,820 | \$ 213,885,120 | \$ 75,155,200 | \$ 193,012,218 |
| 2009 | 2010 | 1,710,322,150 | 4,886,634,714 | 2,088,420 | 20,884,200 | 74,305,290 | 190,829,495 |
| 2010 | 2011 | 1,688,719,230 | 4,824,912,086 | - | - | 77,611,120 | 199,709,660 |
| 2011 | 2012 | 1,492,173,530 | 4,091,911,043 | - | - | 80,260,280 | 220,093,655 |
| 2012 | 2013 | 1,441,010,830 | 4,117,173,800 | - | - | 86,032,460 | 221,379,468 |
| 2013 | 2014 | 1,451,672,070 | 4,147,634,486 | - | - | 94,318,140 | 242,685,716 |
| 2014 | 2015 | 1,323,254,870 | 3,780,728,200 | - | - | 97,514,790 | 250,914,681 |
| 2015 | 2016 | 1,318,587,830 | 3,767,393,799 | - | - | 100,515,440 | 258,758,907 |
| 2016 | 2017 | 1,315,612,520 | 3,758,892,913 | - | - | 107,045,760 | 275,473,588 |
| 2017 | 2018 | 1,321,901,650 | 3,776,861,858 | - | - | 110,903,630 | 285,360,763 |

Source: County Auditor; Montgomery County, Ohio

N/A - Information not available

(1) Tangible personal property tax was phased out beginning in 2007

| Assessed value | Total | | Percent of total assessed estimated actual value |
|------------------|-----------------------|------------------------|--------------------------------------------------|
| | Total direct tax rate | Estimated actual value | |
| \$ 1,820,597,490 | \$ 10.00 | \$ 5,355,681,538 | 33.99% |
| 1,786,715,860 | 10.00 | 5,098,348,409 | 35.04% |
| 1,766,330,350 | 10.00 | 5,024,621,746 | 35.15% |
| 1,572,433,810 | 10.00 | 4,312,004,698 | 36.47% |
| 1,527,043,290 | 10.00 | 4,338,553,268 | 35.20% |
| 1,545,990,210 | 10.00 | 4,390,320,202 | 35.21% |
| 1,420,769,660 | 10.00 | 4,031,642,881 | 35.24% |
| 1,419,103,270 | 10.00 | 4,026,152,706 | 35.25% |
| 1,422,658,280 | 10.00 | 4,034,366,501 | 35.26% |
| 1,432,805,280 | 10.00 | 4,062,222,621 | 35.27% |

CITY OF DAYTON, OHIO

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

Direct 10 Mill Limitation (By Ohio Constitution) By November 6, 1945 Charter Amendment

| <u>Fiscal Year</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Debt Service Fund</u> | <u>General</u> | <u>Total</u> |
|--------------------------|--------------------------|--------------|--------------------------|----------------|--------------|
| <u>Montgomery County</u> | | | | | |
| 2008 | \$ 0.40 | \$ 0.40 | \$ 4.60 | \$ 5.00 | \$ 9.60 |
| 2009 | 0.40 | 0.40 | 4.60 | 5.00 | 9.60 |
| 2010 | 0.40 | 0.40 | 4.60 | 5.00 | 9.60 |
| 2011 | 0.40 | 0.40 | 4.60 | 5.00 | 9.60 |
| 2012 | 0.40 | 0.40 | 4.80 | 4.80 | 9.60 |
| 2013 | 0.40 | 0.40 | 5.00 | 4.60 | 9.60 |
| 2014 | 0.40 | 0.40 | 5.10 | 4.50 | 9.60 |
| 2015 | 0.40 | 0.40 | 5.10 | 4.50 | 9.60 |
| 2016 | 0.40 | 0.40 | 5.10 | 4.50 | 9.60 |
| 2017 | 0.40 | 0.40 | 5.10 | 4.50 | 9.60 |

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

Source: County Auditor; Montgomery County, Ohio

| <u>Grand Total (1)</u> | <u>Dayton City School District</u> | <u>Montgomery County</u> | <u>Montgomery County Public Library</u> |
|------------------------|--------------------------------------------|------------------------------|-----------------------------------------------------|
| \$ 10.00 | \$ 75.75 | \$ 20.94 | \$ 1.25 |
| 10.00 | 75.75 | 20.94 | 1.75 |
| 10.00 | 76.52 | 20.94 | 1.75 |
| 10.00 | 77.52 | 20.94 | 1.75 |
| 10.00 | 79.85 | 20.94 | 3.31 |
| 10.00 | 79.85 | 20.94 | 3.31 |
| 10.00 | 79.85 | 21.94 | 3.31 |
| 10.00 | 81.35 | 22.94 | 3.31 |
| 10.00 | 83.35 | 22.94 | 3.31 |
| 10.00 | 83.35 | 22.94 | 3.31 |

CITY OF DAYTON, OHIO

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

| Taxpayer | Fiscal Year 2017 | | | Fiscal Year 2008 | | |
|---------------------------------------|-----------------------|------|----------------------------------------------------------|-----------------------|------|----------------------------------------------------------|
| | 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 | \$ 89,264,310 | 1 | 6.23% | \$ 52,880,670 | 1 | 2.71% |
| Vectren Energy Delivery | 20,331,570 | 2 | 1.42% | 10,840,930 | 7 | 0.56% |
| KND Real Estate 29 LLC | 6,551,310 | 3 | 0.46% | | | |
| GLP Capital LP | 6,531,830 | 4 | 0.46% | | | |
| Dayton Hotel II LLC | 5,171,320 | 5 | 0.36% | | | |
| Miami Valley Hospital | 4,308,560 | 6 | 0.30% | | | |
| Cloud Park Apartment | 4,169,090 | 7 | 0.29% | | | |
| Elizabeth Place Holdings LLC | 4,006,500 | 8 | 0.28% | | | |
| DUCRU SPE LLC | 3,953,770 | 9 | 0.28% | | | |
| Premier Plaza LP | 3,567,170 | 10 | 0.25% | | | |
| Delphi Automotive Systems Corporation | | | | 16,850,470 | 4 | 0.86% |
| NCR | | | | 19,898,580 | 2 | 1.02% |
| Ohio Bell Telephone Company | | | | 18,780,630 | 3 | 0.96% |
| Cargill Inc. | | | | 12,394,230 | 6 | 0.64% |
| Behr Dayton Thermal | | | | 14,555,560 | 5 | 0.75% |
| Dayton Heart Hospital | | | | 7,427,010 | 9 | 0.38% |
| Danis Fifth Thrid Bank | | | | 6,640,500 | 10 | 0.34% |
| Marriott International | | | | 7,490,000 | 8 | 0.38% |
| Total | \$ 147,855,430 | | 10.33% | \$ 167,758,580 | | 8.60% |

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) (3)</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> |
|--------------------|------------------------------------------|-----------------------------------------|--------------------------------------------------------------|-----------------------------------------|------------------------------------|------------------------------------------------------------------|
| 2008 | \$ 3,065,046 | \$ 2,195,831 | 71.64% | \$ 419,295 | \$ 2,615,126 | 85.32% |
| 2009 | 3,404,912 | 1,829,865 | 53.74% | 330,272 | 2,160,137 | 63.44% |
| 2010 | 3,599,298 | 1,799,212 | 49.99% | 260,117 | 2,059,329 | 57.21% |
| 2011 | 4,432,302 | 2,280,991 | 51.46% | 302,809 | 2,583,800 | 58.29% |
| 2012 | 6,257,674 | 2,027,236 | 32.40% | 277,857 | 2,305,093 | 36.84% |
| 2013 | 4,727,901 | 2,010,113 | 42.52% | 537,153 | 2,547,266 | 53.88% |
| 2014 | 4,727,901 | 1,916,141 | 40.53% | 498,060 | 2,414,201 | 51.06% |
| 2015 | 7,449,675 | 4,133,966 | 55.49% | 709,211 | 4,843,177 | 65.01% |
| 2016 | 8,225,568 | 4,262,189 | 51.82% | 947,474 | 5,209,663 | 63.33% |
| 2017 | 6,808,229 | 4,816,159 | 70.74% | 937,030 | 5,753,189 | 84.50% |

(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.

(3) Current Assessments Due increased in 2012 as a result of weed, nuisance and delinquent utility 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**

| Governmental Activities | | | | | | | | |
|-------------------------|--------------------------|---------------|--------------------------|-------------------------------------|---------------------------|------------|-----------|-----------|
| Fiscal Year | General Obligation Bonds | Revenue Bonds | Special Assessment Bonds | Ohio Department of Development Loan | Capital Lease Obligations | OPWC Loans | SIB Loans | SIB Bonds |
| 2008 | \$ 49,441,334 | \$ 40,500,000 | \$ 409,600 | \$ - | \$ 1,494,000 | \$ 208,176 | \$ - | \$ - |
| 2009 | 56,284,054 | 39,925,000 | 299,500 | - | - | 197,334 | - | - |
| 2010 | 52,818,927 | 40,650,000 | 211,800 | 2,860,000 | - | 175,161 | - | - |
| 2011 | 46,884,969 | 38,780,000 | 136,900 | 2,860,000 | - | 152,317 | - | - |
| 2012 | 49,149,087 | 33,923,806 | 63,100 | 2,860,000 | - | 128,782 | - | - |
| 2013 | 42,465,128 | 31,886,369 | 23,200 | 2,860,000 | - | 661,507 | - | - |
| 2014 | 42,556,962 | 29,758,933 | - | 2,860,000 | 1,995,320 | 617,964 | 2,500,000 | 3,419,608 |
| 2015 | 37,938,498 | 27,566,497 | - | 2,694,829 | 1,621,171 | 555,099 | 2,500,000 | 3,482,779 |
| 2016 | 44,237,911 | 25,314,060 | - | 2,440,804 | - | 1,116,405 | 2,568,125 | 3,410,526 |
| 2017 | 39,293,603 | 22,996,624 | - | 2,179,054 | - | 1,015,767 | 2,472,769 | 3,315,000 |

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

Source: City of Dayton financial records

(1) Source: Bureau of Economic Analysis, US Department of Commerce. Personal Income for 2011 - 2017 is not available.

Business-Type Activities

| General Obligation Bonds | Revenue Bonds | OWDA Loans | OPWC Loans | Capital Lease Obligations | JOBS Ohio Loan | General Obligation Notes | Total Primary Government | Personal Income (1) | Percentage of Personal Income | Per Capita |
|--------------------------------|------------------|---------------|---------------|---------------------------------|-------------------|--------------------------------|-----------------------------|---------------------|----------------------------------------|---------------|
| \$ 1,653,666 | \$ 38,095,000 | \$ 11,774,364 | \$ 600,000 | \$ - | \$ - | \$ 1,885,000 | \$ 146,061,140 | \$ 29,736,127,000 | 0.49% | \$ 932 |
| 12,195,946 | 36,980,000 | 11,118,492 | 550,000 | - | - | 485,000 | 158,035,326 | 29,436,435,000 | 0.54% | 1,025 |
| 11,591,073 | 35,825,000 | 10,437,177 | 500,000 | - | - | - | 155,069,138 | 30,220,395,000 | 0.51% | 1,094 |
| 10,860,031 | 34,625,000 | 9,888,914 | 450,000 | - | - | - | 144,638,131 | 30,733,685,000 | 0.47% | 1,020 |
| 41,031,571 | 33,265,591 | 9,175,000 | 400,000 | - | - | - | 169,996,937 | 31,611,141,000 | 0.54% | 1,199 |
| 38,888,600 | 31,953,977 | 8,433,383 | 350,000 | - | - | - | 157,522,164 | 31,926,492,000 | 0.49% | 1,099 |
| 36,525,000 | 30,776,093 | 7,662,986 | 300,000 | 648,196 | - | - | 159,621,062 | 33,114,355,000 | 0.48% | 1,113 |
| 35,691,545 | 81,810,745 | 6,862,691 | 250,000 | 526,651 | - | - | 201,500,505 | 34,260,966,000 | 0.59% | 1,433 |
| 39,024,368 | 111,772,064 | 6,031,338 | 200,000 | - | 5,000,000 | - | 241,115,601 | 34,966,720,000 | 0.69% | 1,715 |
| 36,697,191 | 107,941,332 | 5,167,722 | 150,000 | - | 4,867,008 | - | 226,096,070 | N/A | N/A | 1,609 |

CITY OF DAYTON, OHIO

**COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assesed Value (2) | \$ 1,820,597,490 | \$ 1,786,715,860 | \$ 1,766,330,350 | \$ 1,572,433,810 |
| Legal debt margin: | | | | |
| Debt limitation - 10.5% of Assesed Value | 191,162,736 | 187,605,165 | 185,464,687 | 165,105,550 |
| Total Voted and Unvoted Debt Outstanding | 144,393,875 | 158,035,326 | 155,069,138 | 144,638,131 |
| Less: Exempt Debt | | | | |
| Airport General Obligation Bonds and Notes | (1,885,000) | (11,305,000) | (10,470,000) | (10,115,000) |
| Airport Revenue Bonds (1) | (37,921,735) | (36,810,567) | (35,659,399) | (34,462,592) |
| Water Revenue Bonds (1) | - | - | - | - |
| Sewer Revenue Bonds (1) | - | - | - | - |
| Water General Obligation Bonds (3) | - | - | - | - |
| Sewer General Obligation Bonds (3) | - | - | - | - |
| Special Assessment Bonds and Notes | (409,600) | (299,500) | (211,800) | (136,900) |
| Economic Development Bonds | (40,500,000) | (39,925,000) | (40,650,000) | (38,780,000) |
| Total Exempt Debt | <u>(80,716,335)</u> | <u>(88,340,067)</u> | <u>(86,991,199)</u> | <u>(83,494,492)</u> |
| Total Debt Applicable to Limitation - Within 10.5% Limitations | 63,677,540 | 69,695,259 | 68,077,939 | 61,143,639 |
| Less: Amount Available in Debt Service Fund to pay debt applicable to limitation | <u>(15,943,399)</u> | <u>(15,536,249)</u> | <u>(17,092,706)</u> | <u>(14,927,743)</u> |
| Net Debt Within 10.5% Limitation | <u>47,734,141</u> | <u>54,159,010</u> | <u>50,985,233</u> | <u>46,215,896</u> |
| Overall Debt Margin Within 10.5% Limitations | <u>\$ 143,428,595</u> | <u>\$ 133,446,155</u> | <u>\$ 134,479,454</u> | <u>\$ 118,889,654</u> |
| Unvoted Debt Limitation - 5.5% of Assesed Valuation | \$ 100,132,862 | \$ 98,269,372 | \$ 97,148,169 | \$ 86,483,860 |
| Debt Within 5.5% Limitations | 63,677,540 | 69,695,259 | 68,077,939 | 61,143,639 |
| Less Amount Available in Debt Service Fund | (15,943,399) | (15,536,249) | (17,092,706) | (14,927,743) |
| Net Debt Within 5.5% Limitation | <u>47,734,141</u> | <u>54,159,010</u> | <u>50,985,233</u> | <u>46,215,896</u> |
| Unvoted Debt Margin Within 5.5% Limitation | <u>\$ 52,398,721</u> | <u>\$ 44,110,362</u> | <u>\$ 46,162,936</u> | <u>\$ 40,267,964</u> |

Source: City of Dayton financial records

- (1) Airport, Water and Sewer revenue bonds are shown net of premiums.
- (2) Assesed valuations have been revised to agree with the assessed valuation by each tax year as provided by the Montgomery County Auditor.
- (3) Water and Sewer general obligation bonds are exempt debt.

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| \$ 1,527,043,290 | \$ 1,545,990,210 | \$ 1,420,769,660 | \$ 1,419,103,270 | \$ 1,422,658,280 | \$ 1,432,805,280 |
| 160,339,545 | 162,328,972 | 149,180,814 | 149,005,843 | 149,379,119 | 150,444,554 |
| 169,996,937 | 157,522,164 | 159,621,062 | 201,500,505 | 241,115,601 | 226,096,070 |
| (9,750,000) | (9,375,000) | (8,990,000) | (10,016,545) | (9,404,368) | (8,782,191) |
| (33,265,591) | (32,090,000) | (30,232,678) | (52,051,403) | (80,822,459) | (79,361,332) |
| - | - | - | (15,720,663) | (15,133,998) | (14,542,333) |
| - | - | - | (16,428,679) | (15,815,607) | (15,197,536) |
| (15,300,000) | (14,520,000) | (13,630,000) | (12,705,000) | (17,640,000) | (16,655,000) |
| (15,600,000) | (14,805,000) | (13,905,000) | (12,970,000) | (11,980,000) | (11,260,000) |
| (63,100) | (23,200) | - | - | - | - |
| <u>(32,235,000)</u> | <u>(30,305,000)</u> | <u>(28,285,000)</u> | <u>(26,200,000)</u> | <u>(24,055,000)</u> | <u>(21,845,000)</u> |
| <u>(106,213,691)</u> | <u>(101,118,200)</u> | <u>(95,042,678)</u> | <u>(146,092,290)</u> | <u>(174,851,432)</u> | <u>(167,643,392)</u> |
| 63,783,246 | 56,403,964 | 64,578,384 | 55,408,215 | 66,264,169 | 58,452,678 |
| <u>(10,776,956)</u> | <u>(10,184,042)</u> | <u>(10,965,590)</u> | <u>(12,580,136)</u> | <u>(14,255,750)</u> | <u>(14,978,891)</u> |
| <u>53,006,290</u> | <u>46,219,922</u> | <u>53,612,794</u> | <u>42,828,079</u> | <u>52,008,419</u> | <u>43,473,787</u> |
| <u>\$ 107,333,255</u> | <u>\$ 116,109,050</u> | <u>\$ 95,568,020</u> | <u>\$ 106,177,764</u> | <u>\$ 97,370,700</u> | <u>\$ 106,970,767</u> |
| \$ 83,987,381 | \$ 85,029,462 | \$ 78,142,331 | \$ 78,050,680 | \$ 78,246,205 | \$ 78,804,290 |
| 63,783,246 | 56,403,964 | 64,578,384 | 55,408,215 | 66,264,169 | 58,452,678 |
| (10,776,956) | (10,184,042) | (10,965,590) | (12,580,136) | (14,255,750) | (14,978,891) |
| <u>53,006,290</u> | <u>46,219,922</u> | <u>53,612,794</u> | <u>42,828,079</u> | <u>52,008,419</u> | <u>43,473,787</u> |
| <u>\$ 30,981,091</u> | <u>\$ 38,809,540</u> | <u>\$ 24,529,537</u> | <u>\$ 35,222,601</u> | <u>\$ 26,237,786</u> | <u>\$ 35,330,503</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**

| Fiscal Year | Population (3) | Assessed value (2) | Gross general bonded debt (1) | Less: Amounts available in Debt Service Fund (4) | Net general bonded debt (1) | Ratio of net general bonded debt to assessed value | Net general bonded debt per capita |
|-------------|----------------|--------------------|-------------------------------|--------------------------------------------------|-----------------------------|----------------------------------------------------|------------------------------------|
| 2008 | 156,771 | \$ 1,820,597,490 | \$ 51,095,000 | \$ 15,943,399 | \$ 35,151,601 | 1.93% | \$ 224 |
| 2009 | 154,200 | 1,786,715,860 | 68,480,000 | 15,536,249 | 52,943,751 | 2.96% | 343 |
| 2010 | 141,759 | 1,766,330,350 | 64,410,000 | 17,092,706 | 47,317,294 | 2.68% | 334 |
| 2011 | 141,759 | 1,572,433,810 | 57,745,000 | 14,927,743 | 42,817,257 | 2.72% | 302 |
| 2012 | 141,759 | 1,527,043,290 | 90,180,658 | 9,583,585 | 80,597,073 | 5.28% | 569 |
| 2013 | 143,355 | 1,545,990,210 | 81,353,728 | 10,184,042 | 71,169,686 | 4.60% | 496 |
| 2014 | 143,355 | 1,420,769,660 | 79,081,962 | 10,965,590 | 68,116,372 | 4.79% | 475 |
| 2015 | 140,599 | 1,419,103,270 | 73,630,043 | 12,580,136 | 61,049,907 | 4.30% | 434 |
| 2016 | 140,599 | 1,422,658,280 | 83,262,279 | 14,255,750 | 69,006,529 | 4.85% | 491 |
| 2017 | 140,489 | 1,432,805,280 | 75,990,794 | 14,978,891 | 61,011,903 | 4.26% | 434 |

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

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

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

(4) Debt Service Fund fund balance does not include assigned for encumbrances, advances or loans receivable.

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>Bond issuance costs</u> | <u>Total debt service</u> | <u>Total general governmental expenditures</u> | <u>Ratio of debt service to total general governmental expenditures</u> |
|--------------------|------------------|-----------------|------------------------------------|-------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 2008 | \$ 6,652,464 | \$ 3,072,686 | \$ 598,836 | \$ 10,323,986 | \$ 236,745,655 | 4.36% |
| 2009 | 8,047,222 | 3,557,790 | 586,476 | 12,191,488 | 244,189,072 | 4.99% |
| 2010 | 8,030,000 | 3,828,281 | 137,068 | 11,995,349 | 230,208,664 | 5.21% |
| 2011 | 9,516,702 | 4,401,891 | - | 13,918,593 | 217,375,775 | 6.40% |
| 2012 | 9,918,875 | 2,785,143 | 693,878 | 13,397,896 | 214,804,403 | 6.24% |
| 2013 | 8,446,175 | 3,164,241 | - | 11,610,416 | 218,843,237 | 5.31% |
| 2014 | 7,708,143 | 2,843,361 | 195,142 | 10,746,646 | 210,614,310 | 5.10% |
| 2015 | 7,062,185 | 3,052,165 | - | 10,114,350 | 214,068,005 | 4.72% |
| 2016 | 8,583,778 | 2,844,231 | 323,854 | 11,751,863 | 218,297,513 | 5.38% |
| 2017 | 7,422,744 | 3,072,686 | - | 10,495,430 | 236,745,655 | 4.43% |

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2017**

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 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, 2017.

| Political subdivision of State of Ohio | 2017 Debt Outstanding | Percentage applicable to Dayton | Amount applicable to Dayton |
|------------------------------------------|--------------------------|---------------------------------------|--------------------------------|
| Direct | | | |
| City of Dayton | \$ 71,272,817 | 100.00% | \$ 71,272,817 |
| Total Direct Debt | <u>71,272,817</u> | | <u>71,272,817</u> |
| Overlapping | | | |
| Butler Township | 4,325,000 | 0.08% | 3,460 |
| Dayton Metro Library District | 158,770,000 | 19.89% | 31,579,353 |
| Dayton City School District | 143,660,000 | 83.90% | 120,530,740 |
| Miami Valley Career Center | 5,197,994 | 2.23% | 115,915 |
| Vandalia Butler City School District | 45,970,513 | 2.42% | 1,112,486 |
| Mad River Local School District | 6,820,000 | 23.48% | 1,601,336 |
| Huber Heights City School District | 68,290,000 | 11.44% | 7,812,376 |
| Trotwood-Madison City School District | 24,550,000 | 4.19% | 1,028,645 |
| Fairborn City School District | 43,021,331 | 3.47% | 1,492,840 |
| Northridge Local School District | 16,910,000 | 32.33% | 5,467,003 |
| Total Overlapping Debt | <u>517,514,838</u> | | <u>170,744,154</u> |
| Total Direct and Overlapping Debt | <u>\$ 588,787,655</u> | | <u>\$ 242,016,971</u> |

Source: County Auditor; Montgomery County, Ohio and Ohio Municipal Advisory Council (OMAC)

CITY OF DAYTON, OHIO

**SEWER DEBT LOAN PLEDGED REVENUE COVERAGE
OHIO WATER DEVELOPMENT AUTHORITY LOAN
LAST TEN FISCAL YEARS**

| Year | Net Revenue Available for Debt Service (1) | Debt Service Requirements | | | Coverage |
|------|--------------------------------------------|---------------------------|------------|--------------|----------|
| | | Principal | Interest | Total | |
| 2008 | \$ 7,661,321 | \$ 3,280,851 | \$ 675,575 | \$ 3,956,426 | 1.94 |
| 2009 | 7,262,150 | 655,872 | 463,620 | 1,119,492 | 6.49 |
| 2010 | 9,596,696 | 681,315 | 438,177 | 1,119,492 | 8.57 |
| 2011 | 7,850,586 | 548,263 | 406,141 | 954,404 | 8.23 |
| 2012 | 10,831,537 | 713,914 | 373,672 | 1,087,586 | 9.96 |
| 2013 | 8,304,330 | 741,617 | 345,967 | 1,087,584 | 7.64 |
| 2014 | 9,687,415 | 770,397 | 317,188 | 1,087,585 | 8.91 |
| 2015 | 11,760,637 | 800,295 | 287,291 | 1,087,586 | 10.81 |
| 2016 | 8,159,080 | 831,353 | 199,704 | 1,031,057 | 7.91 |
| 2017 | 8,890,092 | 913,616 | 174,525 | 1,088,141 | 8.17 |

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

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

WATER ENTERPRISE REVENUE BOND COVERAGE
WATER REVENUE BONDS
LAST THREE FISCAL YEARS

| Year | Net Revenue Available for Debt Service (1) | Debt Service Requirements | | | Coverage |
|----------|--------------------------------------------|---------------------------|----------|-----------|----------|
| | | Principal | Interest | Total | |
| 2015 (2) | \$ 14,491,713 | \$ - | \$ - | \$ - | 0.00 |
| 2016 | 13,303,988 | 555,000 | 519,957 | 1,074,957 | 12.38 |
| 2017 | 7,655,664 | 560,000 | 517,312 | 1,077,312 | 7.11 |

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

(2) The City issued new water bonds in 2015. There were no payments due in 2015.

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

**SEWER ENTERPRISE REVENUE BOND COVERAGE
SEWER REVENUE BONDS
LAST THREE FISCAL YEARS**

| Year | Net Revenue Available for Debt Service (1) | Debt Service Requirements | | | Coverage |
|----------|--------------------------------------------|---------------------------|----------|-----------|----------|
| | | Principal | Interest | Total | |
| 2015 (2) | \$ 11,760,637 | \$ - | \$ - | \$ - | 0.00 |
| 2016 | 9,290,302 | 580,000 | 543,377 | 1,123,377 | 8.27 |
| 2017 | 10,017,916 | 585,000 | 540,612 | 1,125,612 | 8.90 |

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

(2) The City issued new sewer bonds in 2015. There were no payments due in 2015.

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 | |
| 2008 | \$ 11,735,966 | \$ 1,090,000 | \$ 1,894,488 | \$ 2,984,488 | 3.93 |
| 2009 | 6,230,427 | 1,115,000 | 1,860,958 | 2,975,958 | 2.09 |
| 2010 | 10,544,858 | 1,155,000 | 1,823,404 | 2,978,404 | 3.54 |
| 2011 | 13,284,695 | 1,200,000 | 1,780,969 | 2,980,969 | 4.46 |
| 2012 | 9,162,019 | 1,245,000 | 1,733,902 | 2,978,902 | 3.08 |
| 2013 | 6,342,789 | 1,290,000 | 1,683,228 | 2,973,228 | 2.13 |
| 2014 | 8,233,042 | 1,350,000 | 1,628,664 | 2,978,664 | 2.76 |
| 2015 | 8,714,245 | 1,445,000 | 1,237,784 | 2,682,784 | 3.25 |
| 2016 | 16,987,289 | 1,750,000 | 1,845,826 | 3,595,826 | 4.72 |
| 2017 | 9,973,531 | 2,480,000 | 3,224,168 | 5,704,168 | 1.75 |

(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 and all Customer Facility Charges (CFC). For 2007 and 2008, no PFC were used for payment of debt service charges. In 2012, bond proceeds of \$2,591,965 were included, as the project was completed and excess proceeds were used for debt service.

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

Source: City of Dayton financial records

CITY OF DAYTON, OHIO

**BUSINESS INDICATORS
LAST TEN FISCAL YEARS**

| <u>Year</u> | <u>Square Mile Area City of Dayton Year End (1)</u> | <u>Air Passengers (2)</u> | <u>Scheduled Airline Freight (2)</u> |
|-------------|-----------------------------------------------------------------|---------------------------|----------------------------------------------|
| 2008 | 56 (+/-) | 2,928,018 | 9,471 |
| 2009 | 56 (+/-) | 2,506,271 | 10,388 |
| 2010 | 56 (+/-) | 2,526,839 | 8,092 |
| 2011 | 56 (+/-) | 2,528,856 | 8,549 |
| 2012 | 56 (+/-) | 2,607,528 | 10,069 |
| 2013 | 56 (+/-) | 2,503,961 | 7,819 |
| 2014 | 56 (+/-) | 2,282,211 | 9,132 |
| 2015 | 56 (+/-) | 2,137,085 | 8,542 |
| 2016 | 56 (+/-) | 2,069,718 | 8,491 |
| 2017 | 56 (+/-) | 1,896,744 | 8,164 |

| <u>Year</u> | <u>Active Gas Meters (3)</u> | <u>Vehicle Registrations (4)</u> |
|-------------|----------------------------------|--------------------------------------|
| 2008 | 80,900 | 106,186 |
| 2009 | 80,233 | 102,921 |
| 2010 | 79,508 | 122,513 |
| 2011 | 78,753 | 123,008 |
| 2012 | 78,140 | 122,573 |
| 2013 | 77,647 | 116,811 |
| 2014 | 77,369 | 120,939 |
| 2015 | 76,735 | 124,365 |
| 2016 | 76,299 | 126,145 |
| 2017 | 75,886 | 127,888 |

Source: (1) Square Miles for City of Dayton - Division of Planning, City of Dayton
(2) Dayton International Airport
(3) Vectren
(4) Bureau of Motor Vehicles

CITY OF DAYTON, OHIO

**GROWTH IN LAND AREA
SELECTED YEARS**

| <u>Year</u> | <u>Square miles at December 31</u> |
|-------------|--------------------------------------------|
| 1955 | 27 |
| 1960 | 34 |
| 1965 | 36 |
| 1970 | 40 |
| 1975 | 43 |
| 1980 | 54 |
| 1985 | 55 |
| 1990 | 55 |
| 1995 | 56 |
| 2000 | 56 |
| 2005 | 56 |
| 2010 | 56.5 |
| 2011 | 56.5 |
| 2012 | 56.5 |
| 2013 | 56.5 |
| 2014 | 56.5 |
| 2015 | 56.5 |
| 2016 | 56.5 |
| 2017 | 56.5 |

Source: Division of Planning City of Dayton

CITY OF DAYTON, OHIO

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

| Employer | Fiscal Year 2017 | | | Fiscal Year 2008 | | |
|------------------------------------|------------------|------|----------------------------------------------|------------------|------|----------------------------------------------|
| | Employees | Rank | Percentage of Total Dayton Labor Force | Employees | Rank | Percentage of Total Dayton Labor Force |
| Premier Health Partners (1) | 13,858 | 1 | 23.85% | 6,960 | 1 | 9.94% |
| Kettering Health Network (2) | 8,415 | 2 | 14.48% | | | |
| Montgomery County | 4,383 | 3 | 7.54% | 5,774 | 2 | 8.25% |
| Sinclair Community College | 3,094 | 4 | 5.33% | 1,597 | 8 | 2.28% |
| University of Dayton | 2,964 | 5 | 5.10% | 2,900 | 5 | 4.14% |
| Childrens Medical Hospital | 2,467 | 6 | 4.25% | 1,912 | 7 | 2.73% |
| Veterans Administration | 2,268 | 7 | 3.90% | 1,579 | 9 | 2.26% |
| CareSource | 2,200 | 8 | 3.79% | | | |
| Dayton Public Schools | 2,062 | 9 | 3.55% | 3,700 | 3 | 5.29% |
| City of Dayton | 1,900 | 10 | 3.27% | 2,648 | 6 | 3.78% |
| Good Samaritan Hospital and Health | | | | 3,343 | 4 | 4.78% |
| BEHR Dayton Thermal | | | | 1,416 | 10 | 2.02% |
| Total | 43,611 | | 75.06% | 31,829 | | 45.47% |

Source: Dayton Business Journal

(1) Premier Health Partners includes Miami Valley Hospital and Good Samaritan Hospital

(2) Kettering Health Network includes Grandview Hospital

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 |
| 2008 | 270,500 | 8.40% | 70,000 | 9.40% | 5,954,200 | 7.60% | 5.80% |
| 2009 | 267,234 | 11.40% | 69,188 | 12.60% | 5,970,188 | 10.20% | 9.30% |
| 2010 | 261,705 | 10.10% | 67,763 | 11.30% | 5,897,559 | 10.10% | 9.60% |
| 2011 | 257,589 | 9.40% | 61,108 | 11.00% | 5,806,467 | 8.60% | 8.90% |
| 2012 | 252,888 | 7.00% | 59,558 | 7.90% | 5,747,885 | 7.20% | 8.10% |
| 2013 | 249,000 | 8.00% | 59,000 | 9.40% | 5,766,000 | 7.40% | 7.40% |
| 2014 | 250,300 | 6.00% | 59,100 | 7.10% | 5,719,000 | 5.70% | 6.20% |
| 2015 | 249,600 | 5.00% | 58,800 | 5.80% | 5,700,000 | 4.90% | 5.30% |
| 2016 | 249,500 | 4.80% | 58,100 | 5.80% | 5,713,000 | 4.90% | 4.90% |
| 2017 | 253,600 | 4.90% | 59,100 | 5.80% | 5,780,000 | 5.00% | 4.40% |

Source: State of Ohio Labor Market Information

CITY OF DAYTON, OHIO

ESTIMATED PER CAPITA INCOME AND PERSONAL INCOME
LAST TEN FISCAL YEARS

| Year | Dayton (MSA) | | | Montgomery County | | Ohio | | United States |
|------|-------------------|-----------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|
| | Per capita income | % of national average | Total personal income | Per capita income | % of national average | Per capita income | % of national average | Per capita income |
| 2008 | \$ 34,724 | 87.35% | \$ 5,443,716,204 | \$ 34,715 | 87.33% | \$ 35,511 | 89.33% | \$ 39,751 |
| 2009 | 34,943 | 89.28% | 5,388,210,600 | 35,669 | 91.14% | 35,381 | 90.40% | 39,138 |
| 2010 | 35,886 | 88.42% | 5,087,163,474 | 36,302 | 89.45% | 36,395 | 89.68% | 40,584 |
| 2011 | 37,410 | 89.79% | 5,303,204,190 | 37,684 | 90.45% | 37,791 | 90.71% | 41,663 |
| 2012 | 39,891 | 89.56% | 5,654,908,269 | 39,795 | 89.34% | 40,057 | 91.59% | 43,735 |
| 2013 | 40,353 | 90.59% | 5,720,400,927 | 40,150 | 90.14% | 40,865 | 91.74% | 44,543 |
| 2014 | 41,386 | 89.72% | 5,932,890,030 | 40,851 | 88.56% | 42,571 | 92.29% | 46,129 |
| 2015 | 42,707 | 89.59% | 6,004,561,493 | 42,223 | 88.58% | 43,478 | 91.21% | 47,669 |
| 2016 | N/A | N/A | N/A | N/A | N/A | 44,876 | 90.53% | 49,571 |
| 2017 | N/A | N/A | N/A | N/A | N/A | 45,615 | 90.52% | 50,392 |

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 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total | 396.2 | 372.5 | 369.4 | 376.1 | 378.1 |
| Goods-Producing Industries | 60.6 | 50.6 | 49.4 | 51.2 | 52.6 |
| Natural Resources, Mining and Construction | 13.7 | 11.6 | 10.9 | 11.1 | 11.4 |
| Manufacturing | 46.9 | 39.0 | 38.5 | 40.1 | 41.2 |
| Service-Providing Industries | 335.6 | 321.9 | 320.0 | 324.9 | 325.5 |
| Trade, Transportation, and Utilities | 67.0 | 63.1 | 61.4 | 62.4 | 64.6 |
| Information | 12.1 | 11.0 | 10.5 | 9.8 | 8.9 |
| Financial Activities | 18.6 | 16.8 | 16.5 | 17.0 | 17.3 |
| Professional and Business Services | 51.7 | 45.5 | 45.6 | 48.3 | 48.7 |
| Educational and Health Services | 68.9 | 68.7 | 69.0 | 69.9 | 70.2 |
| Leisure and Hospitality | 37.2 | 36.3 | 36.2 | 37.0 | 37.1 |
| Other Services | 15.5 | 14.9 | 15.2 | 15.1 | 14.7 |
| Government | 64.6 | 65.6 | 65.6 | 65.4 | 64.0 |

(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

| 2013 | 2014 | 2015 | 2016 | 2017 | Percentage of Total 2017 employment |
|--------------|--------------|--------------|--------------|--------------|-------------------------------------------|
| 376.4 | 372.0 | 379.1 | 384.5 | 389.0 | 100% |
| 52.7 | 50.7 | 52.0 | 53.6 | 54.7 | 14.1% |
| 11.4 | 11.7 | 12.0 | 12.4 | 12.6 | 3.2% |
| 41.3 | 39.0 | 40.0 | 41.2 | 42.1 | 10.8% |
| 323.7 | 321.3 | 327.1 | 330.9 | 334.3 | 85.9% |
| 64.9 | 64.4 | 65.8 | 65.3 | 65.5 | 16.8% |
| 8.7 | 8.5 | 8.4 | 8.5 | 8.3 | 2.1% |
| 17.3 | 17.3 | 17.6 | 17.9 | 18.1 | 4.7% |
| 47.5 | 48.6 | 50.1 | 51.0 | 50.8 | 13.1% |
| 69.8 | 70.2 | 71.0 | 72.5 | 74.4 | 19.1% |
| 36.9 | 37.2 | 37.8 | 38.8 | 40.3 | 10.4% |
| 15.1 | 14.0 | 13.8 | 14.0 | 14.4 | 3.7% |
| 63.5 | 61.1 | 62.6 | 62.9 | 62.5 | 16.1% |

CITY OF DAYTON, OHIO

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

| Function/Program | 2008 | 2009 | 2010 (2) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Governmental activities: | | | | | | | | | | |
| Downtown | 34 | 32 | 16 | 15 | 14 | 15 | 15 | 15 | 17 | 18 |
| Youth, education and human services | 1 | 1 | - | 1 | 1 | 1 | 1 | - | 1 | 1 |
| Community development and neighbors | 139 | 170 | 132 | 136 | 134 | 130 | 128 | 141 | 126 | 132 |
| Economic development | 43 | 42 | 35 | 33 | 26 | 30 | 32 | 7 | 33 | 40 |
| Leadership and quality of life | 368 | 251 | 143 | 184 | 178 | 171 | 303 | 214 | 147 | 141 |
| Corporate responsibility | 178 | 163 | 137 | 133 | 134 | 137 | 133 | 169 | 136 | 135 |
| Public safety and justice | 1,118 | 1,056 | 943 | 863 | 866 | 868 | 864 | 838 | 826 | 849 |
| Business-type activities: | | | | | | | | | | |
| Dayton International Airport | 160 | 145 | 128 | 133 | 138 | 140 | 144 | 143 | 141 | 138 |
| Water | 260 | 267 | 245 | 237 | 218 | 232 | 164 | 246 | 373 | 375 |
| Sewer | 134 | 141 | 113 | 110 | 109 | 113 | 70 | 119 | 97 | 100 |
| Golf | 70 | 66 | 15 | 16 | 15 | 14 | 14 | 14 | 12 | 12 |
| Storm Sewer | 143 | 134 | 89 | 89 | 89 | 83 | 66 | 41 | 36 | 39 |
| Total Full-Time Equivalent (FTE) | 2,648 | 2,468 | 1,996 | 1,950 | 1,922 | 1,934 | 1,934 | 1,947 | 1,945 | 1,980 |

Source: City of Dayton ITS and Management & Budget

(2) 2010 represents current employment at year-end

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>Sinclair Community College (3)</u> | <u>Total Colleges/ Universities</u> | <u>Dayton Public Schools (4)</u> |
|-------------|-----------------------------------------|----------------------------------------|-----------------------------------------------|-----------------------------------------|--------------------------------------|
| 2008 | 10,920 | 17,662 | 23,259 | 51,841 | 14,486 |
| 2009 | 10,908 | 17,558 | 25,249 | 53,715 | 14,939 |
| 2010 | 11,214 | 18,447 | 25,942 | 55,603 | 15,122 |
| 2011 | 10,776 | 18,304 | 25,223 | 54,303 | 15,166 |
| 2012 | 11,186 | 17,789 | 23,641 | 52,616 | 14,515 |
| 2013 | 10,857 | 17,595 | 22,884 | 51,336 | 14,505 |
| 2014 | 11,368 | 17,779 | 21,358 | 50,505 | 14,013 |
| 2015 | 11,271 | 18,059 | 18,452 | 47,782 | 14,060 |
| 2016 | 10,828 | 17,775 | 19,093 | 47,696 | 13,792 |
| 2017 | 10,882 | 17,108 | 17,914 | 45,904 | 13,325 |

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 PK - 12

CITY OF DAYTON, OHIO

**CITY OF DAYTON AND
MONTGOMERY COUNTY, OHIO
LAND AREA
DECEMBER 31, 2017**

| <u>Jurisdiction</u> | <u>Square Miles</u> |
|-----------------------------------------------------------------------------|---------------------|
| Dayton | 55 |
| Less portion outside of Montgomery County. | |
| Other incorporated areas in Montgomery County excluding Dayton | 174 |
| Unincorporated Townships within Montgomery County | 234 |
| 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**

| Year | New Construction | |
|------|--------------------|---------------|
| | Permits issued (1) | Valuation (1) |
| 2008 | 757 | \$ 76,613,598 |
| 2009 | 793 | 111,538,280 |
| 2010 | 627 | 61,926,890 |
| 2011 | 624 | 76,837,017 |
| 2012 | 976 | 110,167,787 |
| 2013 | 1,020 | 71,059,409 |
| 2014 | 553 | 95,087,428 |
| 2015 | 591 | 83,727,498 |
| 2016 | 567 | 123,859,391 |
| 2017 | 666 | 220,519,958 |

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

CITY OF DAYTON, OHIO

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

| <u>Year</u> | <u>Units</u> | <u>Total Permit Value</u> | <u>Single-family average structure cost</u> | <u>% Change from previous year</u> | <u>% Change from 2007</u> |
|-------------|--------------|---------------------------|---------------------------------------------|------------------------------------|---------------------------|
| 2008 | 150 | \$ 11,491,562 | \$ 76,610 | -17.42% | -17.42% |
| 2009 | 123 | 11,114,593 | 90,363 | 17.95% | -2.60% |
| 2010 | 27 | 3,823,530 | 141,612 | 56.72% | 52.64% |
| 2011 | 90 | 9,516,794 | 105,742 | 17.02% | 13.98% |
| 2012 | 153 | 13,518,608 | 88,357 | -16.44% | -4.76% |
| 2013 | 44 | 3,459,005 | 78,614 | -11.03% | -15.26% |
| 2014 | 7 | 629,989 | 89,998 | 14.48% | -2.99% |
| 2015 | 63 | 8,518,038 | 135,674 | 50.75% | 46.24% |
| 2016 | 37 | 4,280,000 | 115,676 | -14.74% | 24.68% |
| 2017 | 4 | 445,000 | 12,027 | -89.60% | -87.04% |

Source: Census Bureau

CITY OF DAYTON, OHIO

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Public Service | | | | | | | | | | |
| Highways and Streets | | | | | | | | | | |
| Streets (miles) ** | 1,718 | 1,718 | 1,718 | 1,718 | 1,718 | 1,718 | 1,718 | 1,719 | 1,719 | 1,719 |
| Streetlights | 20,163 | 20,163 | 20,252 | 20,235 | 20,391 | 20,427 | 19,720 | 19,720 | 19,976 | 19,976 |
| Traffic Signals | 325 | 325 | 325 | 313 | 313 | 314 | 320 | 316 | 316 | 319 |
| Computerized Signals | 275 | 275 | 275 | 275 | 275 | 314 | 320 | 316 | 316 | 319 |
| 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 | 7 | 7 |
| Number of Employees | 505 | 474 | 455 | 385 | 413 | 409 | 405 | 410 | 397 | 419 |
| 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 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Number of Employees | 379 | 346 | 341 | 332 | 308 | 314 | 318 | 327 | 318 | 322 |
| City Fleet (public safety) | | | | | | | | | | |
| Fire | 96 | 97 | 94 | 99 | 108 | 84 | 88 | 91 | 88 | 97 |
| Police | 354 | 307 | 320 | 324 | 314 | 304 | 289 | 291 | 290 | 271 |
| Recreation and parks | | | | | | | | | | |
| Parks Acreage | 1,389 | 1,374 | 1,374 | 1,374 | 1,374 | 1,374 | 1,374 | 1,374 | 1,374 | 1,374 |
| Playgrounds | 49 | 42 | 42 | 42 | 42 | 42 | 42 | 39 | 25 | 19 |
| Total Facilities * | 205 | 184 | 181 | 181 | 180 | 181 | 170 | 162 | 187 | 129 |
| Parks | 62 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 63 | 63 |
| Swimming Pools | 3 | 4 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Tennis Courts | 65 | 63 | 63 | 63 | 63 | 63 | 50 | 41 | 41 | 9 |
| Community Centers | 2 | - | 3 | 3 | 3 | 3 | 3 | 3 | - | - |
| Senior Centers | 1 | 1 | 1 | - | - | - | - | - | - | - |
| Athletic Complexes | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |
| Specialized Facilities | 1 | - | - | - | - | 1 | 1 | 1 | 1 | 1 |
| Shelter Houses | 53 | 37 | 37 | 37 | 37 | 37 | 36 | 37 | 62 | 35 |
| Golf Courses | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Spray Park Facilities | 7 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Recreation Centers | 4 | 5 | - | - | - | - | 3 | 3 | 3 | 3 |
| Cultural Centers | 1 | 2 | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Teen Centers | 1 | 1 | 1 | 1 | - | - | - | - | - | - |
| Water | | | | | | | | | | |
| Water Mains (miles) | 803.33 | 804.29 | 806.12 | 807.03 | 806.61 | 807.03 | 807.03 | 807.26 | 847.65 | 852.51 |
| Maximum Daily Capacity (millions of gallons) | 46.53 | 43.79 | 43.82 | 43.21 | 44.30 | 41.00 | 42.00 | 43.20 | 43.20 | 43.20 |
| Sewer | | | | | | | | | | |
| Sanitary Sewers (miles) | 602.85 | 603.11 | 603.05 | 603.18 | 603.27 | 603.40 | 603.40 | 730.00 | 730.00 | 740.46 |
| Storm Sewers (miles) | 403.35 | 403.61 | 403.62 | 403.67 | 403.67 | 403.67 | 403.67 | 576.60 | 576.60 | 576.89 |
| Maximum Daily Capacity (millions of gallons) | 35.06 | 32.61 | 33.72 | 33.03 | 29.80 | 28.69 | 28.33 | 28.33 | 28.33 | 28.33 |

Source: Various Departments, City of Dayton

* 2007-2016 Recreation facilities include only those that were operational in a calendar year

N/A - Information not available

**Prior to 2008, straightline miles mode of measurement was used. After 2008, the mode of measurement was in Lane miles.

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We acknowledge the following Financial Services Personnel in the preparation of the Comprehensive Annual Financial Report. Fiscal Year Ended December 31, 2017

| | |
|--------------------------|------------------------------|
| C. LaShea Lofton | Finance Director |
| Bejoy C. John | Deputy Finance Director |
| Valerie Henderson | Financial Service Supervisor |

| | |
|---------------------------|------------------------|
| Kena Brown | Sr. Financial Analyst |
| Tiffany Boone | Fixed Asset Specialist |
| Saleh Asumani | Financial Analyst I |
| Jeffrey Marshall | Financial Analyst I |
| Chatan Robinson | Financial Analyst I |
| Jennifer Hill | Support Staff |
| Louisa Okwudibonye | Intern |

| | |
|--------------------------|---------------------|
| Shelley Dickstein | City Manager |
| Tammi L. Clements | Deputy City Manager |
| Joseph Parlette | Deputy City Manager |

Appreciation is extended to our consultant, Julian and Grube, Inc. for their assistance on this project.



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The Department of Finance - Mission Statement

The Department of Finance provides accurate, efficient, and quality financial services in a systematic and professional manner. We are a customer focused TEAM that thrives in an environment of continuous improvement.

www.DaytonOhio.gov



Dave Yost • Auditor of State

CITY OF DAYTON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2018