

CITY OF KENT, OHIO

SINGLE AUDIT REPORT

DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Members of City Council
City of Kent
325 South Depeyster Street
Kent, Ohio 44240

We have reviewed the Independent Auditor's Report of the City of Kent, Portage County, prepared by James G. Zupka, CPA, Inc. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 22, 2005

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**CITY OF KENT, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Honorable Mayor, Finance Director,
and Members of City Council
City of Kent, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kent, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the City of Kent, Ohio's basic financial statements and have issued our report thereon dated June 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kent, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we reported to the management of the City of Kent, Ohio, in a separate letter dated June 2, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kent, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the City of Kent, Ohio in a separate letter dated June 2, 2005.

This report is intended solely for the information and use of management, members of City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.
Certified Public Accountant

June 2, 2005

JAMES G. ZUPKA, C.P.A., INC.

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Garfield Hts., Ohio 44125

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

Honorable Mayor, Finance Director,
and Members of City Council
City of Kent, Ohio

Compliance

We have audited the compliance of the City of Kent, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The City of Kent, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Kent, Ohio's management. Our responsibility is to express an opinion on the City of Kent, Ohio's compliance based on our audit.

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

In our opinion, the City of Kent, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kent, Ohio, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 2, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kent, Ohio's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. 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 management, members of City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.
Certified Public Accountant

June 2, 2005

CITY OF KENT, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass Through Grantor/ Program Title		Federal CFDA Number	Program or Award Amount	Direct Program Expenditures
<u>United States Department of Housing and Urban Development</u>				
<i>Direct Program</i>				
Community Development Block Grant - Entitlement	B-00-MC-39-0026	14.218	\$ 432,000	\$ 31,065
Community Development Block Grant - Entitlement	B-01-MC-39-0026	14.218	443,000	0
Community Development Block Grant - Entitlement	B-02-MC-39-0026	14.218	438,000	18,865
Community Development Block Grant - Entitlement	B-03-MC-39-0026	14.218	379,000	217,900
Community Development Block Grant - Entitlement	B-04-MC-39-0026	14.218	366,000	40,629
Community Housing Improvement Program - Entitlement	A-C-03-136-2	14.239	555,000	<u>372,721</u>
Total United States Department of Housing and Urban Development				<u>681,180</u>
<u>United States Department of Justice</u>				
<i>Direct Program</i>				
Local Law Enforcement Block Grant	02-LB-BX-2726	16.592	17,065	4,748
Local Law Enforcement Block Grant	03-LB-BX-2494	16.592	11,672	<u>7,420</u>
Total United States Department of Justice				<u>12,168</u>
<u>Federal Emergency Management Agency</u>				
<i>Direct Programs</i>				
Public Assistance Program	133-39872-00 DR-1484	83.544	42,135	11,140
Public Assistance Program	133-39872-00 EM-3187	97.036	5,195	2,880
Public Assistance Program	133-39872-00 DR-1519	97.036	142,378	<u>87,040</u>
Total Federal Emergency Management Agency				<u>101,060</u>
<u>United States Environmental Protection Agency</u>				
<i>Direct Programs</i>				
Nonpoint Source Implementation	C997550003 03(h)EPA-07	66.460	500,000	<u>289,240</u>
Total United States Environmental Protection Agency				<u>289,240</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,083,648</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF KENT, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards of the City presents the activity of all federal financial assistance programs of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included on this schedule.

NOTE 2: **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting and has been reconciled to the program's federal financial reports. The following is a reconciliation by grant from the cash basis to the accrual basis at December 31, 2004.

	<u>Direct Program Expenditures</u>
<u>Department of HUD</u>	
Cash Basis	\$ 658,952
Accrual Adjustment	22,228
Department of HUD - Accrual Basis	<u>\$ 681,180</u>
 <u>Department of Justice</u>	
Cash Basis	\$ 13,096
Accrual Adjustment	(928)
Department of Justice - Accrual Basis	<u>\$ 12,168</u>
 <u>Federal Emergency Management Agency</u>	
Cash Basis	\$ 101,060
Accrual Adjustment	0
FEMA - Accrual Basis	<u>\$ 101,060</u>
 <u>Environmental Protection Agency</u>	
Cash Basis	\$ 289,240
Accrual Adjustment	0
Environmental Protection Agency - Accrual Basis	<u>\$ 289,240</u>

CITY OF KENT, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 3: **PROGRAM INCOME**

The City uses federal funds received in the current and prior years to issue revolving loans. These loans are issued to companies and are to be repaid by the City in monthly installments. Principal received on these loans may be used to issue new loans. The principal outstanding at December 31, 2004 was \$471,631. The program income represents interest revenue earned from the revolving loans and bank accounts and repayment of loans. These amounts, identified below, were subject to Single Audit procedures. The program income from Local Law Enforcement of \$215 is related to a direct program and is not included in the program income identified below.

<u>Description</u>	<u>Program Income</u>
Revolving Loan Interest Earnings - EDA	\$ 11,102
Revolving Loan Interest Earnings - UDAG	5,425
Rehabilitation Loan Repayment - CDBG	55,755
Interest Income from Bank Accounts - UDAG	1,515
Community Development Block Grant - Program Income	17,311
Continuing Housing Impact Program - Program Income	<u>98,944</u>
Total Program Income	<u>\$ 190,052</u>

**CITY OF KENT, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinions	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list): CFDA #14.239 - Community Housing Improvement Program CFDA #66.460 - Nonpoint Source Implementation	
2004(viii)	Dollar Threshold: A/B Programs Type B: All Others	Type A: \$300,000
2004(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CITY OF KENT, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

The prior audit report, as of December 31, 2003, included one immaterial instance of noncompliance management letter recommendation. These have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

CITY OF KENT, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2004

Issued by The Department of Budget and Finance

BARBARA A. RISSLAND
Director of Budget and Finance

City of Kent, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004
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Comprehensive Annual Financial Report
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CITY OF KENT, OHIO

DEPARTMENT OF BUDGET AND FINANCE

June 17, 2005
Members of City Council
City Manager
Citizens of Kent, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of Kent (the City) for the fiscal year ended December 31, 2004, is herein submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management of the City is responsible for establishing and maintaining an internal control structure that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Kent's financial statements in conformity with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes that the cost of the internal control structure should not exceed the benefits likely to be derived and that the evaluation of cost and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial records, books of accounts and transactions of the City of Kent, Ohio, for the year ended December 31, 2004, have been audited by the independent auditing firm of James G. Zupka, Certified Public Accountants, Incorporated. The independent auditor's unqualified opinion has been included in this report.

In addition, the City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Based upon prior experience, management believes that no material weakness exists in internal controls and that questioned costs, if any, will not have an adverse material effect on the financial condition of the City.

The Comprehensive Annual Financial Report is divided into three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, the City of Kent organization chart, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the Independent Accountants' Report, the Management Discussion and Analysis, the basic financial statements, the combining and individual fund financial statements. The statistical section provides selected financial and demographic information about the City, generally presented on a multi-year basis.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD & A). This letter of transmittal is designed as a supplement to the MD & A and should be read in conjunction with it. The City of Kent's MD & A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Kent, Ohio, is located in Portage County, approximately fifteen miles northeast of the City of Akron and six miles west of the City of Ravenna, the county seat. The City is the largest of four cities in this industrial and agricultural county. It is principally noted as the home of Kent State University, which has a current enrollment of approximately 24,350 students at the main campus in the City. The City covers an area of approximately 9.22 square miles. The City's 2000 population of 27,906 reflects a 3.2 percent decrease as compared to the 1990 population of 28,835.

The City of Kent, a full-service city, was incorporated in 1867. The City operates under and is governed by its charter, which was first adopted in 1963 and which has been amended by the voters from time to time. In addition, under the Ohio constitution, the City may exercise all powers of local self-government to the extent it is not in conflict with applicable general laws.

The charter provides for a Council-Manager form of government. Legislative authority is vested in a nine-member Council. In addition, a mayor is elected by the voters and serves as President of Council in a ceremonial capacity. All of these officials are elected for four-year terms. The Mayor and three Council members are elected on an at-large basis. The six remaining Council members are elected from their respective wards within the City. City Council appoints members to City boards and commissions. The City's chief executive and administrative officer is the City Manager who is appointed by a majority vote of Council.

The City provides a full range of municipal services. These services include police, fire, emergency medical assistance, public health care, recreation programs (including parks), transportation programs, water production, sanitary and storm sewers, recycling, planning and zoning, and general administration.

The City maintains its legal level of budgetary control at the department level. Management control is also exercised at the department level. The Director of Budget and Finance is authorized to allocate appropriations within any department in any fund without prior Council approval, as long as the total appropriation for each fund does not exceed that of the Council-approved appropriation. Budgetary control is maintained at the division level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of division balances are not processed until additional appropriations are made available through transfer from other accounts either by ordinance of City Council or administrative transfer. Open encumbrances are reported as reservations of fund balance at year end.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Kent operates.

Local Economy

The City of Kent enjoys a very stable economic environment, primarily due to the fact that it is home to Kent State University, the second largest of Ohio's thirteen state-assisted universities. The number of students enrolled at Kent State University (main campus only) is reflected in the following table.

Kent State University Enrollment

<u>Year</u>	<u>Average Enrollment</u>	<u>Percent Change from Previous Year</u>
2004	24,347	0.4%
2003	24,242	3.2%
2002	23,500	2.9%

In the statistical section, the table entitled “Principal Employers - By Municipal Income Tax Withheld” shows that Kent State University alone accounts for 34.87 percent of total municipal income tax revenues. Based on Kent State University’s plans for the future, enrollment at the University is anticipated to increase slightly. The University has an aggressive capital improvement plan. During 2004, work continued on a five year, \$165 million project consisting of construction and renovation of the residence halls.

During the year, permits issued for commercial/industrial new construction and alterations show an estimated value of \$7.4 million. Four new residential subdivisions were also under construction. These subdivisions consist of upscale condominiums and single family houses with values ranging from \$150,000 to \$500,000. Building permits issued indicate a total value of \$11.2 million for residential new construction and renovations.

In 2004, City Council adopted the City of Kent Bicentennial Comprehensive Plan; the first comprehensive plan in the State of Ohio based on the principles of sustainability. The Bicentennial Plan represents an uncommon collaborative effort utilizing technical support from Ohio State University, Kent State University and the City of Kent. Over 45 public meetings were held in Kent, optimizing opportunities for public involvement. In June 2005, the City of Kent Bicentennial Plan received an award for “Program Excellence for Citizen Involvement” by the International City/County Management Association.

The combined effects of continued development of upscale residential housing, coupled with the stability of Kent State University, are just a few indicators that the City’s future economic outlook is bright. Current and proposed redevelopment of previously neglected sections of the downtown area also points to a new surge of investment into these areas. It is anticipated that the City will continue to pursue a balanced and manageable approach to growth and redevelopment that will serve to enhance the current sound financial position of the City.

Long-term Financial Planning

During 2004, the City Council and Administration continued the update and implementation of the five-year capital improvement program that ensures the City’s ability to meet the needs of the community in future years. This comprehensive capital plan will help the City provide for the orderly replacement and development of public facilities and infrastructure as evidenced by the \$7.0 million increase in capital assets, net of related debt, for 2004 as compared to 2003.

Construction continued on the \$5.0 million Cuyahoga River Restoration Project. This project involves the bypassing and preservation of the Kent Dam structure that was constructed in 1836. The river has been redirected around the dam, thereby eliminating the dam pool, improving the quality of the water and restoring suitable conditions for aquatic habitat and fish passage. The improved water quality enables the City to maintain the current water reclamation process and discharge permit levels, thereby avoiding costly plant upgrades. A park will be developed that highlights the historical aspects of the

of the site, while also increasing access to the river by installing trails, creating portage opportunities for kayaks/canoes and establishing landscape features that increase the economic, recreational and aesthetic value of the area.

Cash Management Policies and Practices

The City's investment policy is to ensure safety of principal while maintaining a competitive yield on its monies. The Director of Budget and Finance is authorized by Council to invest interim and active monies not in excess of \$10 million. Investments may be in certificates of deposit or repurchase agreements for a period not to exceed six months with an eligible institution designated as a depository in the State of Ohio. While these are considered uncollateralized for financial reporting purposes, the institutions are required by state statute to maintain a collateral pool of assets whose carrying value exceeds their total public deposits by at least five percent. Investments in excess of \$10 million or beyond six months require the authorization of the City's Treasury Investment Board. The Treasury Investment Board is comprised of the City Manager, the Director of Budget and Finance and the Director of Law. The total interest earned during calendar year 2004 was \$449,115.

Risk Management

The City has established a formal self-insurance program for liabilities arising from employee health and life benefits. This plan utilizes the services of a third-party administrator, with the City maintaining a self-insured retention overload with conventional excess coverage. The City has recognized savings as a result of this program.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities whose CAFR is easily readable, efficiently organized and conforms to GFOA reporting standards. Such a report must satisfy both generally accepted accounting principles (GAAP) as well as applicable legal requirements. The City of Kent received this honor for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2003. This was the seventeenth consecutive year that the government has received this prestigious award.

A Certificate of Achievement is valid for a period of only one year. The City believes this report conforms to the Certificate of Achievement program requirements, and has submitted it to the GFOA to determine its eligibility for another Certificate of Achievement.

Special recognition for the preparation of this report is made to Christina Lillich, Controller, and the Department of Budget and Finance staff, for their many hours of dedicated effort. In addition, gratitude is extended to the independent auditing firm of James G. Zupka, Certified Public Accountants, Incorporated and Sujata M. Sulzer, Manager, for their advice, guidance and patience. Finally, a special acknowledgment is given to the City Council and City Manager for their continuing support and commitment to responsible fiscal reporting.

Respectfully submitted,



Barbara A. Rissland
Director of Budget and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kent,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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



Nancy L. Zjelke

President

Jeffrey R. Emmer

Executive Director

CITY OF KENT, OHIO
ELECTED OFFICIALS - 2004

MAYOR/COUNCIL PRESIDENT	John H. Fender
COUNCIL MEMBER AT LARGE	Michael A. DeLeone
COUNCIL MEMBER AT LARGE	Richard L. Hawksley
COUNCIL MEMBER AT LARGE	William J. Schultz

CITY COUNCIL MEMBERS BY WARDS:

WARD 1	Garret M. Ferrara
WARD 2	Carrie L. Gavriloff
WARD 3	Wayne A. Wilson
WARD 4	Kathleen M. Guckelberger*
WARD 5	Edward C. Bargerstock
WARD 6	Beth A. Oswitch

*Robert O. Felton served as a Council Member in Ward 4 from January 1, 2004 to April 30, 2004. Kathleen M. Guckelberger served as a Council Member in Ward 4 from May 26, 2004 to December 31, 2004.

CITY OF KENT, OHIO

APPOINTED OFFICIALS - 2004

OFFICE OF CITY MANAGER

City Manager

Lewis J. Steinbrecher *

Interim City Manager

William C. Lillich **

OFFICE OF COUNCIL

Clerk of Council

Linda M. Copley

DEPARTMENT OF LAW

Law Director

James R. Silver

DEPARTMENT OF PUBLIC SERVICES

Service Director

David J. Merleno

City Engineer

Gene K. Roberts

Water Plant Supervisor

Steve D. Hardesty, Sr.

Sewer Plant Supervisor

Robert W. Brown

Central Maintenance Manager

Jack E. Hogue

DEPARTMENT OF BUDGET AND FINANCE

Director of Budget and Finance

Barbara A. Rissland

Controller

Christina M. Lillich

Income Tax Commissioner

Robert F. Gillian

Systems Analyst

John R. Tryon

DEPARTMENT OF PUBLIC SAFETY

Safety Director

William C. Lillich

Fire Chief

James A. Williams

Police Chief

James A. Peach

DEPARTMENT OF COMMUNITY DEVELOPMENT

Community Development Director

Charles V. Bowman

DEPARTMENT OF HEALTH

Health Commissioner

John B. Ferlito

Deputy Health Commissioner

John B. Bradshaw

DEPARTMENT OF PARKS AND RECREATION

Director of Parks and Recreation

John J. Idone

Parks Supervisor

Craig E. McClintock

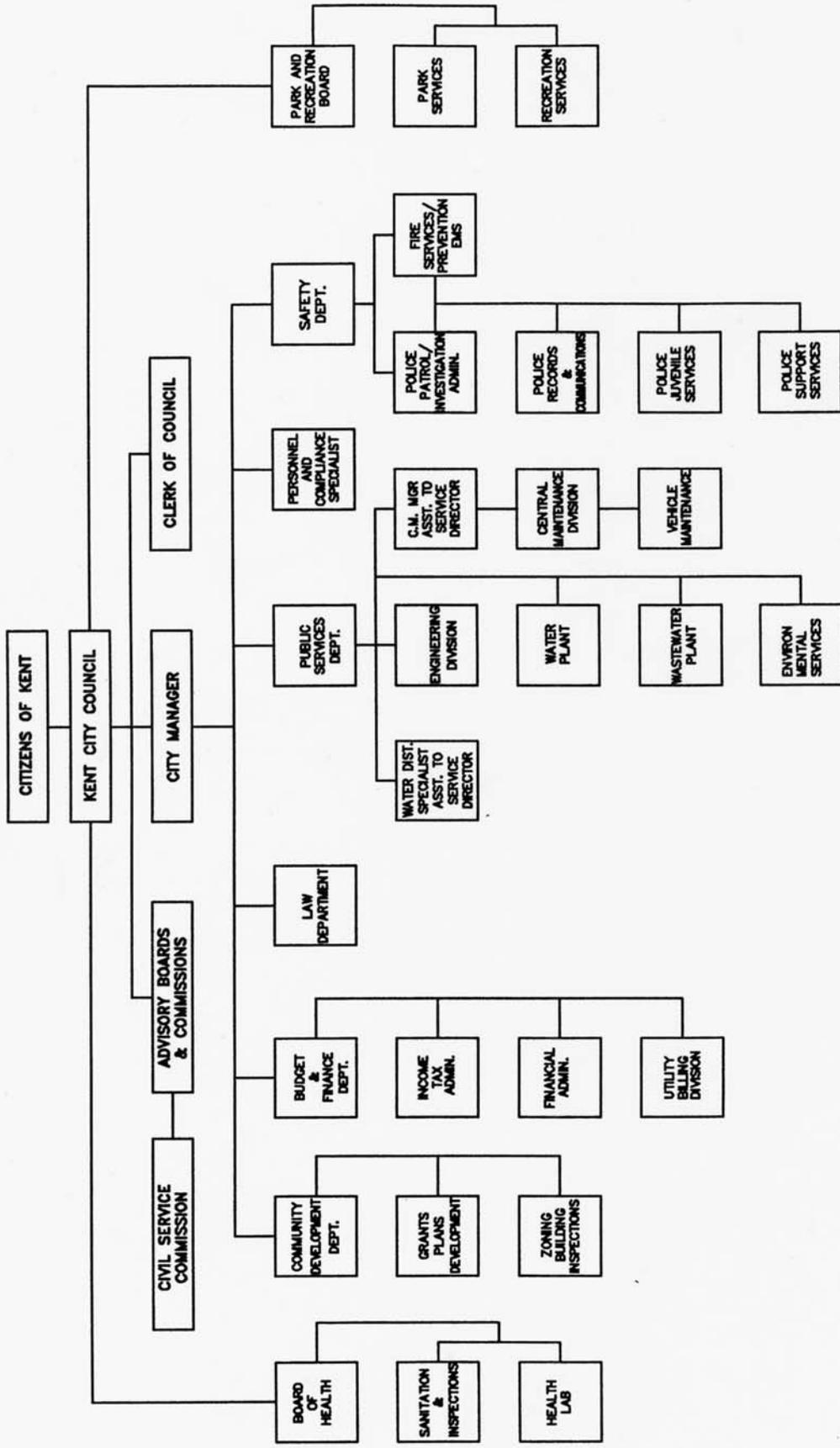
Recreation Supervisor

Nancy R. Rice

* Lewis J. Steinbrecher served as City Manager from January 1, 2004 to November 5, 2004.

** William C. Lillich served as interim City Manager from November 6, 2004 to December 31, 2004.

CITY OF KENT, OHIO ORGANIZATIONAL CHART



JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants
5240 East 98th Street
Garfield Heights, Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475-6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of City Council
City of Kent, Ohio

The Honorable Betty Montgomery
Auditor of State
State of Ohio

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 Kent, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

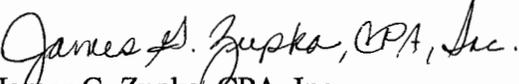
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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 Kent, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2005 on our consideration of the City of Kent, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 2, 2005

City of Kent, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of the City of Kent's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2004 are:

- Total assets of the City of Kent exceeded its liabilities at the close of the most recent year by \$87,225,495 (*net assets*). Of this amount, \$20,472,413 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total net assets increased by \$6,364,578 or 7.87% over 2003. Of this amount, \$2,226,610 is attributable to governmental activities and \$4,137,968 is attributable to business-type activities.
- Total capital assets increased by \$9,003,949 or 14.58% over 2003. Governmental capital assets increased by \$2,551,731 and business-type capital assets increased by \$6,452,218.
- Total current assets increased \$609,225 or 1.65% as compared to 2003. This increase corresponds to an increase in current assets of the business-type activities of \$802,300, which is partially offset by a decrease in governmental current assets of \$193,075.
- Total liabilities increased \$3,248,596 or 18.24% as compared to 2003. This increase is comprised of an increase in governmental activities liabilities of \$132,046 and an increase in the liabilities of the business-type activities of \$3,116,550.

Overview of the Financial Statements

This discussion and analysis will serve as an introduction to the City of Kent's basic financial statements. The City of Kent's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Kent's finances, in a manner similar to private-sector businesses. The *statement of net assets* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major 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 dollars remain 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.

The *statement of net assets* presents information on all of the City of Kent's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Kent is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to

City of Kent, Ohio
Management's Discussion and Analysis
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the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Kent that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Kent include security of persons and property, public health and welfare, leisure time activities, community development, transportation and general government. The business-type activities include the provision of water, sewer, solid waste and storm water drainage services.

The government-wide financial statements can be found starting on page 23 of this report.

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 of Kent, 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 of Kent can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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 funds 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 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, 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 of Kent maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street, Construction Maintenance and Repair Fund, the Income Tax Fund, the Income Tax Safety Fund, the Fire and Emergency Medical Services Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Kent adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for each governmental and proprietary fund to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

City of Kent, Ohio
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Proprietary funds. The City of Kent 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 of Kent uses enterprise funds to account for its water, sewer, solid waste and storm water drainage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self-insurance of health related employee benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, the Sewer Fund, the Solid Waste Fund and the Storm Water Drainage Fund, all of which are considered to be major funds. The Internal Service Fund is also presented on the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 35-38 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of these funds are *not* available to support the City of Kent's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 39 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 40-64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the basic financial statements, the combining statements referred to earlier in connection with nonmajor governmental funds are presented, as well as individual budgetary comparisons for all nonmajor funds. This information can be found on pages 66-99 of this report.

Government-wide Financial Analysis

Statement of Net Assets and the Statement of Activities. While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and measures how the City did financially during fiscal year 2004. The *Statement of Net Assets* and the *Statement of Activities* include assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. The changes in assets statement is important because it tells whether, for the City as a whole, the financial position has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

City of Kent, Ohio
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The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning of Year and at Year's End

The City of Kent as a Whole

Table 1 provides a summary of the City's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$30,175,675	\$30,368,750	\$7,339,289	\$6,536,989	\$37,514,964	\$36,905,739
Capital Assets, Net	18,511,876	15,960,145	52,255,134	45,802,916	70,767,010	61,763,061
<i>Total Assets</i>	<u>48,687,551</u>	<u>46,328,895</u>	<u>59,594,423</u>	<u>52,339,905</u>	<u>108,281,974</u>	<u>98,668,800</u>
Current and Other Liabilities	8,950,073	8,663,667	4,978,268	3,572,173	13,928,341	12,235,840
Long-Term Liabilities:						
Due Within One Year	777,348	766,834	197,202	177,756	974,550	944,590
Due In More Than One Year	3,417,283	3,582,157	2,736,305	1,045,296	6,153,588	4,627,453
<i>Total Liabilities</i>	<u>13,144,704</u>	<u>13,012,658</u>	<u>7,911,775</u>	<u>4,795,225</u>	<u>21,056,479</u>	<u>17,807,883</u>
Invested in Capital Assets, Net of Related Debt	10,945,438	7,997,490	45,884,269	41,851,314	56,829,707	49,848,804
Restricted:						
Capital Projects	2,599,661	2,987,712	0	0	2,599,661	2,987,712
Debt Service	935,399	1,011,723	0	0	935,399	1,011,723
Street Construction, Maintenance and Repair	1,931,222	2,112,325	0	0	1,931,222	2,112,325
Income Tax	1,798,054	1,752,668	0	0	1,798,054	1,752,668
Community Development						
Block Grant	1,031,277	901,272	0	0	1,031,277	901,272
Parks and Recreation	796,085	688,073	0	0	796,085	688,073
Other Purposes	831,677	1,000,292	0	0	831,677	1,000,292
Unrestricted	14,674,034	14,864,682	5,798,379	5,693,366	20,472,413	20,558,048
<i>Total Net Assets</i>	<u>\$35,542,847</u>	<u>\$33,316,237</u>	<u>\$51,682,648</u>	<u>\$47,544,680</u>	<u>\$87,225,495</u>	<u>\$80,860,917</u>

City of Kent, Ohio
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As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Kent, total assets exceed total liabilities by \$87,225,495 at the close of the most recent year.

The largest portion of the City's net assets (65.2%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, equipment and vehicles), less any related outstanding debt issued to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (11.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$20,472,413 or 23.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets increased by \$9,613,174 from 2003 to 2004, and the City's total liabilities also increased by \$3,248,596. The most significant change in assets was an increase in capital assets of \$9,003,949, which is combined with an increase in current and other assets of \$609,225. This increase in capital assets is mainly due to an increase in construction in progress of \$1.5 and \$6.0 million in the governmental and business-type funds, respectively, and the acquisition of a fire truck and ambulance for close to \$550,000 in the governmental funds.

Total liabilities increased \$3,248,596, of which \$132,046 relates to governmental funds and \$3,116,550 relates to business-type funds. The large increase in the business-type funds is primarily due to financing the increased level of capital activity.

At the end of the current year, the City of Kent is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the City increased \$6,364,578 from 2003 to 2004. The primary reason for this overall increase is an increase of \$6,980,903 relating to investment in capital assets, net of outstanding debt. The increase in capital assets is partially offset by growth in contracts payable of close to \$1.5 million dollars, which was caused by the high level of capital activity. Balancing the escalation in contracts payable was a decrease of \$329,403 in wages and benefits payable due to the timing of payroll cycles.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers additional details regarding the results of activities for the current and prior years.

City of Kent, Ohio
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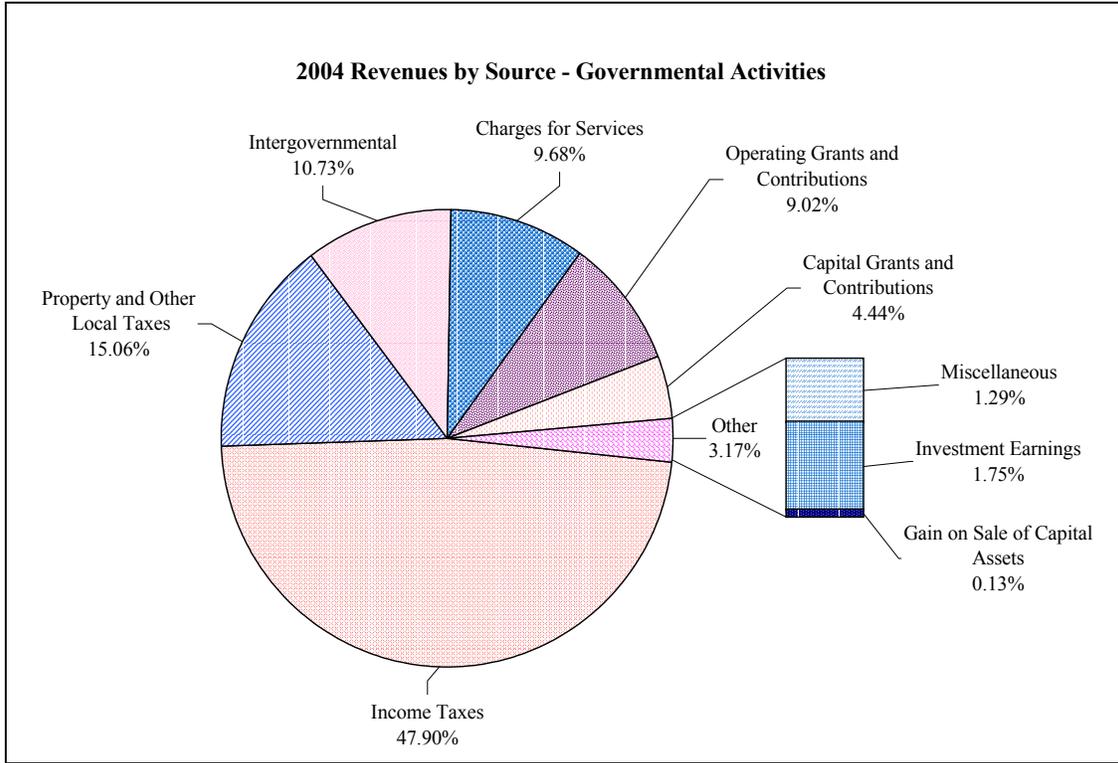
Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$1,962,034	\$1,545,509	\$7,217,228	\$7,148,601	\$9,179,262	\$8,694,110
Operating Grants and Contributions:	1,827,953	1,462,410	96,533	23,891	1,924,486	1,486,301
Capital Grants and Contributions	898,967	2,074,706	3,399,989	3,107,548	4,298,956	5,182,254
General Revenues:						
Income Taxes	9,705,339	9,743,877	0	0	9,705,339	9,743,877
Property and Other Local Taxes	3,050,733	2,907,923	0	0	3,050,733	2,907,923
Intergovernmental	2,173,408	2,642,496	0	0	2,173,408	2,642,496
Investments	354,751	371,548	94,364	100,152	449,115	471,700
Gain on Sale of Capital Assets	26,173	0	17,357	0	43,530	0
Miscellaneous	261,338	437,711	49,469	79,665	310,807	517,376
Total Revenues	20,260,696	21,186,180	10,874,940	10,459,857	31,135,636	31,646,037
Program Expenses						
Security of Persons and Property	9,075,391	8,476,702	0	0	9,075,391	8,476,702
Public Health and Welfare	561,554	520,613	0	0	561,554	520,613
Leisure Time Activities	1,242,072	1,116,664	0	0	1,242,072	1,116,664
Community Development	1,959,483	1,965,417	0	0	1,959,483	1,965,417
Transportation	1,958,035	1,855,622	0	0	1,958,035	1,855,622
General Government	2,825,076	2,642,924	0	0	2,825,076	2,642,924
Interest and Fiscal Charges	242,475	256,440	0	0	242,475	256,440
Water	0	0	2,899,516	2,596,189	2,899,516	2,596,189
Sewer	0	0	3,397,853	3,418,306	3,397,853	3,418,306
Solid Waste	0	0	371,803	395,383	371,803	395,383
Storm Water Drainage	0	0	237,800	232,269	237,800	232,269
Total Expenses	17,864,086	16,834,382	6,906,972	6,642,147	24,771,058	23,476,529
Increase in Net Assets						
Before Transfers	2,396,610	4,351,798	3,967,968	3,817,710	6,364,578	8,169,508
Transfers	(170,000)	(225,000)	170,000	225,000	0	0
Increase in Net Assets	2,226,610	4,126,798	4,137,968	4,042,710	6,364,578	8,169,508
Net Assets Beginning of Year						
- Restated	33,316,237	29,189,439	47,544,680	43,501,970	80,860,917	72,691,409
Net Assets End of Year	\$35,542,847	\$33,316,237	\$51,682,648	\$47,544,680	\$87,225,495	\$80,860,917

City of Kent, Ohio
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Governmental Activities

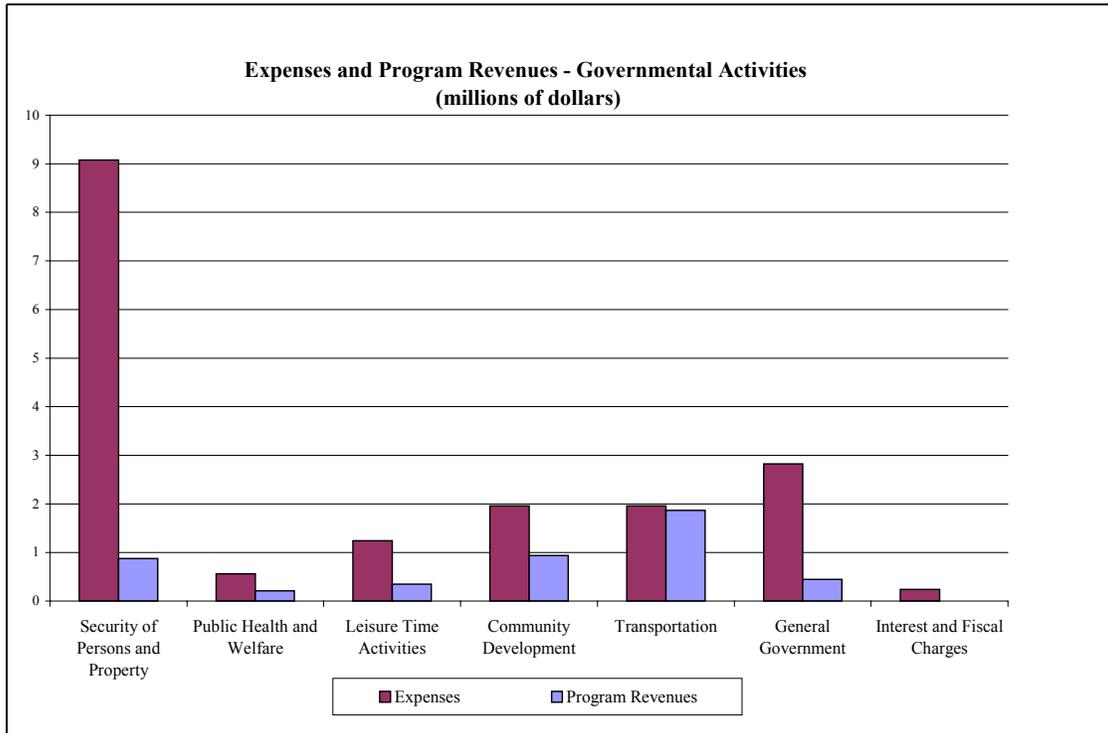
Governmental activities increased the City's net assets by \$2,226,610 during 2004.



Several types of revenues fund the City's governmental activities, with municipal income tax being the largest contributor. Income tax collections decreased slightly, \$38,538 or .40%, which is reflective of the local economy. Overall, the City's governmental revenues decreased \$925,484 or 4.37% as compared to 2003. The major item contributing to the decrease was a reduction in capital grants and contributions of \$1,175,739. This reduction is attributable to the receipt of \$2.0 million in capital contributions from subdivision developers in 2003, and only \$.9 million in capital grants in 2004. The remaining revenue items increased \$288,793 or 3.08%.

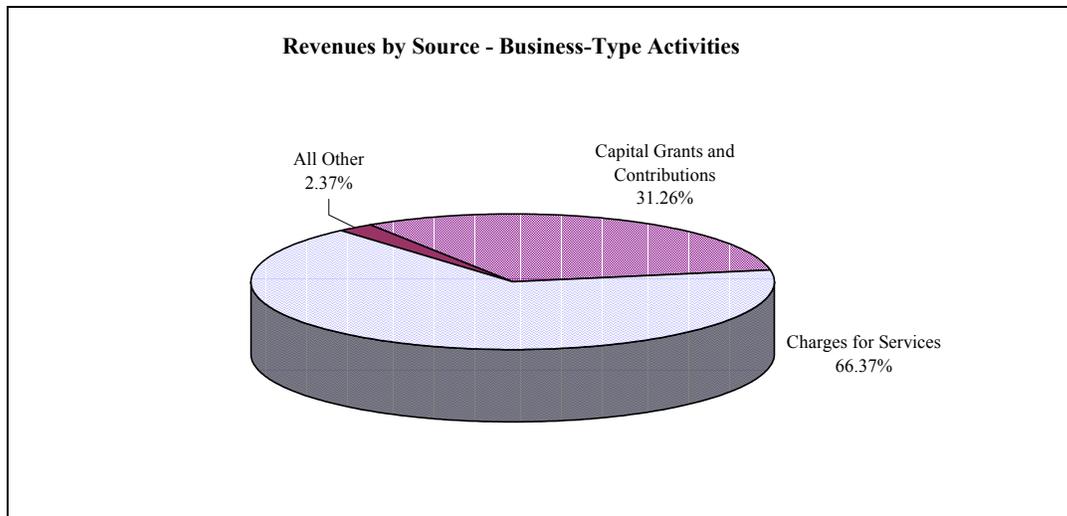
Expenses in the governmental activities grew by \$1,029,704 or 6.12%. This increase corresponds to inflationary factors in the overall economy, including but not limited to, health insurance, utilities and fuel. Also contributing to the upsurge are negotiated and contractual wage increases. Expenses for leisure time activities escalated by a greater than average percentage of 11.23% as a result of expanded programs, which are supported by an increase in charges for services. The City did not increase staffing in 2004. During 2004, the largest program area for the City is security of persons and property (50.80%), which includes police, fire and emergency medical services. The next largest program is general government (15.81%), which accounts for the basic operations of the City including council, mayor, city manager, human resources, finance, law, engineering, service administration and civil service.

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Business-Type Activities

Business-type activities of the City, which include water, sewer, solid waste and storm water drainage operations, increased the City's net assets by \$4,137,968.

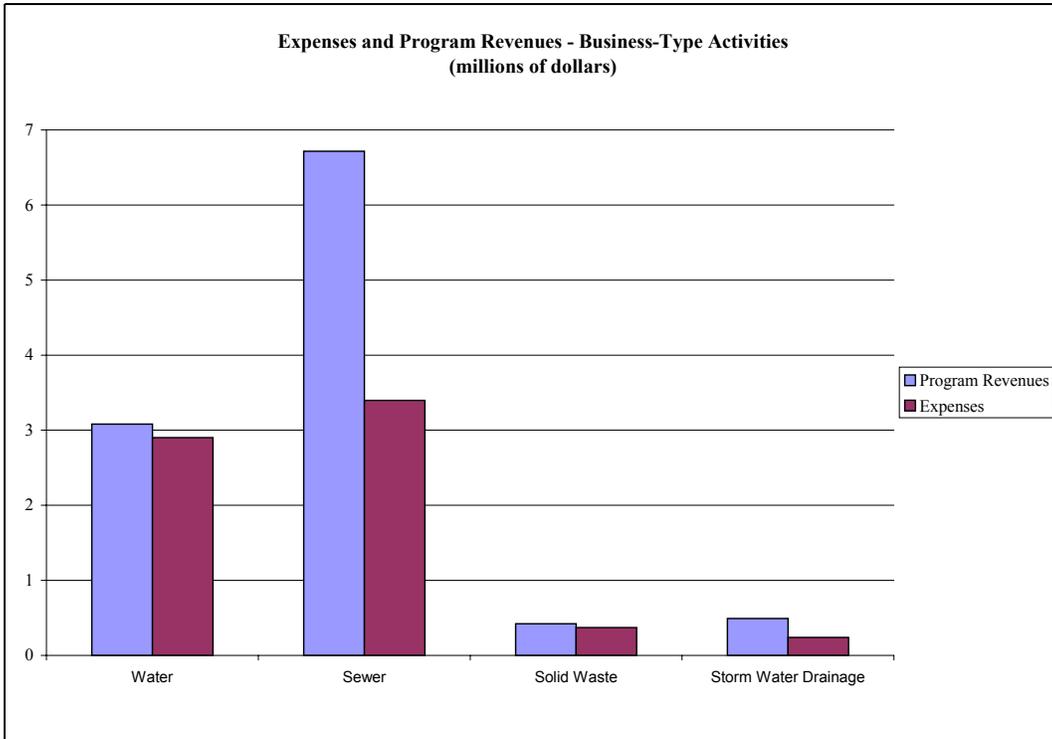


Charges for services account for 66.37% of total business-type revenues. The slight increase in charges for services, \$68,627 or .96%, corresponds to new customers as a result of housing construction. The capital grants and contributions consist mainly of \$2.66 million in capital grants related to the Cuyahoga River

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Restoration project. The remaining \$.74 million of capital grants and contributions is comprised of tap-in fees, special assessments and contributions from developers.

Expenses in the business-type activities grew by \$264,825 or 3.99%. This increase corresponds to inflationary factors in the overall economy, including but not limited to, health insurance, utilities, fuel and chemicals used in the treatment processes. Also contributing to the increase are negotiated wage increases.



Program revenues exceed program expenses in all of the City's business-type activities. The substantial excess of program revenues over expenses in the sewer fund is due primarily to capital grants received for the Cuyahoga River Restoration project.

Financial Analysis of the City of Kent's Funds

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

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

As of the end of the current fiscal year, the City of Kent's governmental funds reported combined ending fund balances of \$16,768,581, which represents a decrease of \$408,524 or 2.38% as compared to 2003. Of the total amount, \$13,660,733 constitutes *unreserved fund balance*, which is available at the government's discretion. The current unreserved fund balance represents 66.63% of the total governmental funds

City of Kent, Ohio
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For the Year Ended December 31, 2004
Unaudited

expenditures. A portion of the unreserved fund balance (\$1,798,054) is designated as an emergency reserve for public facilities and programs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for the following reasons: 1) to liquidate purchase orders of the prior period (\$2,378,310); 2) to fund the revolving loan program (\$471,631); and 3) for other restricted purposes (\$257,907).

Proprietary Funds. The City of Kent's proprietary fund statements provide similar information to that found in the government-wide financial statements, but in more detail.

The following table lists unrestricted net assets and change in net assets for all of the proprietary funds.

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Storm Water Drainage</u>
Unrestricted Net Assets	\$1,960,294	\$3,362,822	(\$147,019)	\$664,722
Change in Net Assets	272,475	3,395,980	50,773	444,761

In the water and sewer funds, which are the two largest enterprise funds, the unrestricted net assets represent 68.33% and 101.09% of the total current operating expenses, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights. The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2004, the City amended its general fund budget on various occasions. All recommendations for budget changes are reviewed by the Finance Committee of City Council prior to presentation to Council for ordinance enactment of the changes.

For the general fund expenditures, the original budget amount was \$8,048,522 and the final amended budget was \$8,185,522, an increase of \$137,000. Actual expenditures were \$7,772,218, or \$413,304 less than was budgeted. The major items contributing to the increase in the budget were the addition of a new economic development loan program, an increase in the building department refunds, an increase in engineering inspection fees due to multiple new subdivisions and the inclusion of funds in the Council office for a City Manager search. The increase in Community Development was offset by the reprogramming of funds from the operating to the capital program area to facilitate a property purchase in a targeted area.

Capital Assets and Debt Administration

Capital Assets. The City of Kent's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of December 31, 2004, was \$70,767,010. The City's investment in capital assets increased by \$2,551,731 or 15.99% for governmental activities and \$6,452,218 or 14.09% for business-type activities when comparing 2003 to 2004.

Although all governments are encouraged to report all infrastructure assets at the effective dates of GASB Statement No. 34, governments are permitted to defer retroactive reporting of infrastructure for four years. The City has elected this option and will report major general infrastructure assets in 2005.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. Management has a five-year capital plan in place that provides for building and infrastructure improvements to complement the City's current capital assets. For additional information of capital assets, see note 11 to the basic financial statements.

City of Kent, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 3 compares capital assets as of December 31, 2004 to balances at December 31, 2003.

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$2,978,403	\$2,892,058	\$1,795,855	\$1,742,484	\$4,774,258	\$4,634,542
Buildings, Structures and Improvements	7,657,133	7,930,215	6,620,130	6,695,284	14,277,263	14,625,499
Machinery and Equipment	3,020,022	2,597,169	2,852,529	3,150,965	5,872,551	5,748,134
Construction in Progress	1,729,158	244,351	12,199,519	6,229,160	13,928,677	6,473,511
Infrastructure						
Roads	2,884,174	2,285,345	0	0	2,884,174	2,285,345
Traffic Signals	242,986	11,007	0	0	242,986	11,007
Water	0	0	7,843,462	6,813,375	7,843,462	6,813,375
Sewer	0	0	11,968,884	12,022,439	11,968,884	12,022,439
Storm Water	0	0	8,974,755	9,149,209	8,974,755	9,149,209
<i>Total Capital Assets</i>	<u>\$18,511,876</u>	<u>\$15,960,145</u>	<u>\$52,255,134</u>	<u>\$45,802,916</u>	<u>\$70,767,010</u>	<u>\$61,763,061</u>

Long-term Debt. At December 31, 2004, the City's bonds, notes and loans outstanding were \$13.9 million.

Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$2,355,000	\$2,475,000	\$0	\$0	\$2,355,000	\$2,475,000
Special Assessment Bonds	589,000	627,000	0	0	589,000	627,000
OPWC Loans	425,708	455,655	0	0	425,708	455,655
OWDA Loans	0	0	2,737,725	1,041,602	2,737,725	1,041,602
Notes Payable	4,170,000	4,405,000	3,610,000	2,910,000	7,780,000	7,315,000
Total	<u>\$7,539,708</u>	<u>\$7,962,655</u>	<u>\$6,347,725</u>	<u>\$3,951,602</u>	<u>\$13,887,433</u>	<u>\$11,914,257</u>

The City of Kent's total long-term debt increased by \$1,508,176 or 32.79%. This increase is primarily due to an increase in OWDA loans for the Kent-Ravenna Interconnect and the Sanitary Sewer Improvements in the amounts of \$50,492 and \$1,663,857, respectively. It is intended that both of these loans be repaid through charges for services. These increases were partially offset by scheduled debt service payments.

Short-term debt increased \$465,000. The notes payable of \$4,170,000 in the governmental activities are for the construction and renovation of the main fire station and renovation of administration offices. Of the notes payable in the business-type activities, \$2,410,000 was originally issued to current refund outstanding

City of Kent, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

sewer bonds with an average interest rate of 6.48%. It is the City's intention to retire these notes through the reissuance of notes, scheduling debt service payments at approximately the same level required by the refunded debt. The remaining \$1.2 million will be used to finance a capital sewer project and will be repaid through user charges.

As of our last review, the City was rated Aa3 by Moody's Investors Services, one of the three largest recognized rating agencies of municipal debt. Factors noted as contributing to this favorable rating were the City's history of prudent budget management and long-term financial planning.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's overall legal debt margin was \$37,593,968 at December 31, 2004.

Additional information concerning the City's debt can be found in notes 15 and 16 to the basic financial statements.

Current Financial Related Activities

The City of Kent is subject to a similar economic slowdown as the rest of Ohio and the Country as a whole. Revenues are projected to remain stable, but no growth is anticipated. The City's Charter requires that 25% of the net income tax proceeds be used to fund capital items. Given these restraints, the city administration has been forced to examine operating expenditures. Seven years ago, the City adopted a five-year capital improvement program, which has been updated on an annual basis. Complete financial projections for the next five years are included in this plan. At this time, a trend was identified that the City's expenditures (operating and capital) were going to regularly exceed revenues unless some action was taken to correct the situation. The City adopted an attrition strategy and eliminated eight positions over the last several years. Council implemented water and sewer rate increases and established a storm water utility. Funds continued to be allocated to a managed reserve. The end result of these actions is a financially stronger municipality.

During 2004, the City Council and Administration continued the update and implementation of the five-year capital improvement program that ensures the City's ability to meet the needs of the community in future years. This comprehensive capital plan will help the City provide for the orderly replacement and development of public facilities and infrastructure.

The combined effects of continued development of upscale residential housing, coupled with the stability of Kent State University, are just a few indicators that the City's future economic outlook is bright. Current and proposed redevelopment of previously neglected sections of the downtown area also points to a new surge of investment into these areas. The administration continues to evaluate municipal operations in an effort to improve overall service delivery in a cost-efficient manner. It is anticipated that the City will continue to pursue a balanced and manageable approach to growth that will serve to enhance the current sound financial position of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, customers, employees, 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 the Director of Budget and Finance, City of Kent, 325 South Depeyster Street, Kent, Ohio 44240, telephone (330) 678-8102.

City Of Kent, Ohio
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$15,068,899	\$8,341,501	\$23,410,400
Cash Surrender Value of Life Insurance Policies	868,107	0	868,107
Receivables:			
Interest Receivable	68,878	16,484	85,362
Accounts Receivable	0	1,379,804	1,379,804
Other Receivable	203,419	157,083	360,502
Income Taxes Receivable	1,567,606	0	1,567,606
Property Taxes Receivable	2,913,234	0	2,913,234
Lodging Taxes Receivable	46,187	0	46,187
Loans Receivable	471,631	0	471,631
Utilization Fee Receivable	0	164,377	164,377
Special Assessments Receivable	2,068,125	742,971	2,811,096
Less Allowance for Doubtful Accounts	0	(240,104)	(240,104)
Receivables, Net	<u>7,339,080</u>	<u>2,220,615</u>	<u>9,559,695</u>
Internal Balances	3,640,986	(3,640,986)	0
Due From Other Governments	2,909,876	367,143	3,277,019
Inventories	139,581	23,939	163,520
Prepaid Items	74,196	26,652	100,848
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	134,950	425	135,375
Capital Assets, Non-Depreciable	4,707,561	13,995,374	18,702,935
Capital Assets, Depreciable, Net	<u>13,804,315</u>	<u>38,259,760</u>	<u>52,064,075</u>
<i>Total Assets</i>	<u>48,687,551</u>	<u>59,594,423</u>	<u>108,281,974</u>
Liabilities			
Accounts Payable	296,437	93,360	389,797
Capital Contracts Payable	732,274	1,080,600	1,812,874
Accrued Wages and Benefits	602,040	123,622	725,662
Due to Other Governments	55,402	16,689	72,091
Matured Compensated Absences Payable	3,831	3,647	7,478
Deferred Revenue	2,791,286	7,421	2,798,707
Accrued Interest Payable	35,640	19,364	55,004
Claims Payable	221,983	0	221,983
Notes Payable	4,196,730	3,633,140	7,829,870
Payable from Restricted Assets	14,450	425	14,875
Long-Term Liabilities:			
Due Within One Year	777,348	197,202	974,550
Due In More Than One Year	<u>3,417,283</u>	<u>2,736,305</u>	<u>6,153,588</u>
<i>Total Liabilities</i>	<u>13,144,704</u>	<u>7,911,775</u>	<u>21,056,479</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,945,438	45,884,269	56,829,707
Restricted for:			
Capital Projects	2,599,661	0	2,599,661
Debt Service	935,399	0	935,399
Street Construction, Maintenance and Repair	1,931,222	0	1,931,222
Income Tax	1,798,054	0	1,798,054
Community Development Block Grant	1,031,277	0	1,031,277
Parks and Recreation	796,085	0	796,085
Other Purposes	831,677	0	831,677
Unrestricted	<u>14,674,034</u>	<u>5,798,379</u>	<u>20,472,413</u>
<i>Total Net Assets</i>	<u>\$35,542,847</u>	<u>\$51,682,648</u>	<u>\$87,225,495</u>

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Security of Persons and Property	\$9,075,391	\$787,397	\$90,360	\$0
Public Health and Welfare	561,554	202,513	8,568	0
Leisure Time Activities	1,242,072	335,721	11,961	0
Community Development	1,959,483	234,795	705,128	0
Transportation	1,958,035	3,971	961,337	898,967
General Government	2,825,076	397,637	50,599	0
Interest and Fiscal Charges	242,475	0	0	0
<i>Total Governmental Activities</i>	<u>17,864,086</u>	<u>1,962,034</u>	<u>1,827,953</u>	<u>898,967</u>
Business-Type Activities				
Water	2,899,516	2,800,642	4,549	277,022
Sewer	3,397,853	3,514,419	79,484	3,122,967
Solid Waste	371,803	409,650	12,500	0
Storm Water Drainage	237,800	492,517	0	0
<i>Total Business-Type Activities</i>	<u>6,906,972</u>	<u>7,217,228</u>	<u>96,533</u>	<u>3,399,989</u>
<i>Total</i>	<u>\$24,771,058</u>	<u>\$9,179,262</u>	<u>\$1,924,486</u>	<u>\$4,298,956</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes

Other Purposes

Income Taxes

Grants and Entitlements not Restricted
to Specific Programs

Investments

Gain on Sale of Capital Assets

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$8,197,634)	\$0	(\$8,197,634)
(350,473)	0	(350,473)
(894,390)	0	(894,390)
(1,019,560)	0	(1,019,560)
(93,760)	0	(93,760)
(2,376,840)	0	(2,376,840)
(242,475)	0	(242,475)
<u>(13,175,132)</u>	<u>0</u>	<u>(13,175,132)</u>
0	182,697	182,697
0	3,319,017	3,319,017
0	50,347	50,347
<u>0</u>	<u>254,717</u>	<u>254,717</u>
<u>0</u>	<u>3,806,778</u>	<u>3,806,778</u>
<u>(13,175,132)</u>	<u>3,806,778</u>	<u>(9,368,354)</u>
1,588,087	0	1,588,087
1,462,646	0	1,462,646
9,705,339	0	9,705,339
2,173,408	0	2,173,408
354,751	94,364	449,115
26,173	17,357	43,530
<u>261,338</u>	<u>49,469</u>	<u>310,807</u>
15,571,742	161,190	15,732,932
<u>(170,000)</u>	<u>170,000</u>	<u>0</u>
<u>15,401,742</u>	<u>331,190</u>	<u>15,732,932</u>
2,226,610	4,137,968	6,364,578
<u>33,316,237</u>	<u>47,544,680</u>	<u>80,860,917</u>
<u>\$35,542,847</u>	<u>\$51,682,648</u>	<u>\$87,225,495</u>

City of Kent, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	Street Construction, Maintenance and Repair	Income Tax	Income Tax Safety	Fire and Emergency Medical Services
Assets					
Equity in Pooled Cash and Cash Equivalents	\$6,763,441	\$334,223	\$2,783,682	\$192,291	\$306,376
Receivables:					
Property Taxes Receivable	1,489,090	0	0	0	0
Income Taxes Receivable	0	0	1,567,606	0	0
Lodging Taxes Receivable	46,187	0	0	0	0
Interest Receivable	64,210	0	4,668	0	0
Loans Receivable	0	0	0	0	0
Other Receivable	193,671	230	0	0	500
Special Assessments Receivable	0	1,058,434	0	0	0
Receivables, Net	<u>1,793,158</u>	<u>1,058,664</u>	<u>1,572,274</u>	<u>0</u>	<u>500</u>
Due from Other Funds	1,551,466	0	2,247,080	0	0
Due from Other Governments	1,156,585	513,914	0	1,458	545
Inventories	16,066	123,515	0	0	0
Prepaid Items	60,291	5,806	1,326	0	4,506
Restricted Cash:					
Equity in Pooled Cash and Cash Equivalents	500	14,400	0	0	0
<i>Total Assets</i>	<u>\$11,341,507</u>	<u>\$2,050,522</u>	<u>\$6,604,362</u>	<u>\$193,749</u>	<u>\$311,927</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$134,048	\$30,723	\$17,938	\$0	\$10,849
Capital Contracts Payable	0	0	0	0	4,799
Accrued Wages and Benefits	101,950	20,602	7,687	22,484	23,896
Due to Other Funds	0	0	0	0	0
Due to Other Governments	13,878	0	37,703	0	2,186
Matured Compensated Absences Payable	3,831	0	0	0	0
Deferred Revenue	2,224,117	1,395,219	474,608	0	0
Accrued Interest Payable	0	0	0	0	0
Notes Payable	0	0	0	0	0
Payable from Restricted Assets	0	14,400	0	0	0
<i>Total Liabilities</i>	<u>2,477,824</u>	<u>1,460,944</u>	<u>537,936</u>	<u>22,484</u>	<u>41,730</u>
Fund Balances					
Reserved for Encumbrances	656,037	60,751	35,495	0	137,945
Reserved for Loans Receivable	0	0	0	0	0
Reserved for Inventories	16,066	123,515	0	0	0
Reserved for Prepays	60,291	5,806	1,326	0	4,506
Reserved for Debt Service	0	0	0	0	0
Unreserved:					
Designated:					
For Public Facilities and Programs	0	0	1,798,054	0	0
Undesignated (Deficit), Reported in:					
General Fund	8,131,289	0	0	0	0
Special Revenue Funds	0	399,506	4,231,551	171,265	127,746
Capital Projects Funds	0	0	0	0	0
<i>Total Fund Balances (Deficit)</i>	<u>8,863,683</u>	<u>589,578</u>	<u>6,066,426</u>	<u>171,265</u>	<u>270,197</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,341,507</u>	<u>\$2,050,522</u>	<u>\$6,604,362</u>	<u>\$193,749</u>	<u>\$311,927</u>

See accompanying notes to the basic financial statements

City of Kent, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$2,333,257	\$2,303,088	\$15,016,358
0	1,424,144	2,913,234
0	0	1,567,606
0	0	46,187
0	0	68,878
0	471,631	471,631
0	9,018	203,419
105,150	904,541	2,068,125
105,150	2,809,334	7,339,080
0	0	3,798,546
898,967	338,407	2,909,876
0	0	139,581
0	2,267	74,196
0	120,050	134,950
<u>\$3,337,374</u>	<u>\$5,573,146</u>	<u>\$29,412,587</u>
\$0	\$78,004	\$271,562
715,345	12,130	732,274
0	312,824	489,443
0	200,000	200,000
0	1,635	55,402
0	0	3,831
105,150	2,485,582	6,684,676
22,368	0	22,368
4,170,000	0	4,170,000
0	50	14,450
5,012,863	3,090,225	12,644,006
1,141,793	346,289	2,378,310
0	471,631	471,631
0	0	139,581
0	2,267	74,196
0	44,130	44,130
0	0	1,798,054
0	0	8,131,289
0	1,618,604	6,548,672
(2,817,282)	0	(2,817,282)
(1,675,489)	2,482,921	16,768,581
<u>\$3,337,374</u>	<u>\$5,573,146</u>	<u>\$29,412,587</u>

Total Governmental Fund Balances \$16,768,581

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 18,511,876

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

Special Assessments	2,068,125
Delinquent Property Taxes	124,771
Intergovernmental	1,225,886
Municipal Income Taxes	<u>474,608</u>

Total 3,893,390

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 716,230

Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (112,597)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due (13,272)

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

General Obligation Bonds	(2,355,000)
Special Assessment Bonds	(589,000)
OPWC Loans	(425,708)
Note Premium	(26,730)
Compensated Absences	<u>(824,923)</u>

Total (4,221,361)

Net Assets of Governmental Activities \$35,542,847

City of Kent, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Construction, Maintenance and Repair	Income Tax	Income Tax Safety	Fire and Emergency Medical Services
Revenues					
Property and Other Local Taxes	\$1,582,407	\$0	\$0	\$0	\$0
Income Taxes	0	0	9,697,832	0	0
Charges for Services	919,184	3,971	0	0	0
Fees, Licenses and Permits	211,510	0	0	0	0
Fines and Forfeitures	302,776	0	0	0	0
Intergovernmental	2,187,907	751,390	0	12,594	4,664
Special Assessments	0	80,764	0	0	0
Interest	218,813	0	43,581	0	0
Miscellaneous	35,515	11,413	15	2,478	540
<i>Total Revenues</i>	<u>5,458,112</u>	<u>847,538</u>	<u>9,741,428</u>	<u>15,072</u>	<u>5,204</u>
Expenditures					
Current:					
Security of Persons and Property	3,545,329	0	0	2,343,835	2,243,628
Public Health and Welfare	426,030	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Development	1,189,675	0	0	0	0
Transportation	0	1,407,330	0	0	0
General Government	2,033,312	0	622,853	0	0
Capital Outlay	180,581	249,943	0	0	580,874
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
<i>Total Expenditures</i>	<u>7,374,927</u>	<u>1,657,273</u>	<u>622,853</u>	<u>2,343,835</u>	<u>2,824,502</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,916,815)</u>	<u>(809,735)</u>	<u>9,118,575</u>	<u>(2,328,763)</u>	<u>(2,819,298)</u>
Other Financing Sources (Uses)					
Premium on Note	0	0	0	0	0
Sale of Capital Asset	26,913	0	0	0	0
Transfers In	1,800,000	570,000	30,000	2,393,090	2,393,090
Transfers Out	0	0	(9,045,666)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,826,913</u>	<u>570,000</u>	<u>(9,015,666)</u>	<u>2,393,090</u>	<u>2,393,090</u>
<i>Net Change in Fund Balances</i>	(89,902)	(239,735)	102,909	64,327	(426,208)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>8,953,585</u>	<u>829,313</u>	<u>5,963,517</u>	<u>106,938</u>	<u>696,405</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$8,863,683</u>	<u>\$589,578</u>	<u>\$6,066,426</u>	<u>\$171,265</u>	<u>\$270,197</u>

See accompanying notes to the basic financial statements

City of Kent, 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, 2004*

Capital Projects	Other Governmental Funds	Total Governmental Funds		
			Net Change in Fund Balances - Total Governmental Funds	(\$408,524)
			<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$0	\$1,471,132	\$3,053,539	Governmental funds report capital outlays as expenditures.	
0	0	9,697,832	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 exceeded depreciation in the current period.	
0	316,347	1,239,502	Capital Asset Additions	3,685,616
0	137,846	349,356	Capital Asset Depreciation	<u>(1,133,145)</u>
0	70,400	373,176	Total	2,552,471
898,967	904,356	4,759,878	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(740)
6,185	76,056	163,005	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
0	49,419	311,813	Delinquent Property Taxes	(2,806)
39,660	171,717	261,338	Intergovernmental	140,450
			Special Assessments	(163,005)
			Income Tax	<u>7,507</u>
			Total	(17,854)
944,812	3,197,273	20,209,439	Other financing sources, such as premium on notes, in the governmental funds increase long-term liabilities in the statement of net assets.	(26,730)
			Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	187,947
0	434,158	8,566,950	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	449
0	131,375	557,405	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
0	1,175,458	1,175,458	Compensated Absences	(33,587)
0	734,347	1,924,022	Pension Obligation	<u>8,859</u>
0	48,187	1,455,517	Total	(24,728)
0	3,088	2,659,253	The internal service fund used by management to charge the costs of insurance to individual funds is not reported in entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(35,681)
2,535,629	185,103	3,732,130		
			<i>Change in Net Assets of Governmental Activities</i>	<u>\$2,226,610</u>
0	187,947	187,947		
82,779	160,145	242,924		
2,618,408	3,059,808	20,501,606		
(1,673,596)	137,465	(292,167)		
26,730	0	26,730		
0	0	26,913		
1,500,000	309,486	8,995,666		
0	(120,000)	(9,165,666)		
1,526,730	189,486	(116,357)		
(146,866)	326,951	(408,524)		
(1,528,623)	2,155,970	17,177,105		
(\$1,675,489)	\$2,482,921	\$16,768,581		

CITY OF KENT, OHIO

*Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$1,391,831	\$1,590,415	\$1,595,471	\$5,056
Fees, Licenses and Permits	213,184	243,600	251,437	7,837
Intergovernmental	2,272,206	2,596,400	2,613,506	17,106
Charges for Services	641,476	733,000	835,211	102,211
Fines and Forfeits	262,541	300,000	308,131	8,131
Interest	196,906	225,000	202,881	(22,119)
Miscellaneous	27,002	30,748	33,552	2,804
Total Revenues	5,005,146	5,719,163	5,840,189	121,026
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	3,670,938	3,712,538	3,661,350	51,188
Public Health and Welfare				
Department of Health	453,287	465,287	432,608	32,679
Community Development				
Department of Community Development	1,491,112	1,322,287	1,228,700	93,587
General Government				
Office of City Manager	307,826	317,976	312,773	5,203
Office of Council	236,739	250,973	238,848	12,125
Office of Civil Service	83,784	87,884	87,673	211
Department of Law	365,649	365,649	339,034	26,615
Department of Public Services	781,121	826,628	801,498	25,130
Department of Budget and Finance	474,566	411,969	331,724	80,245
Total General Government	2,249,685	2,261,079	2,111,550	149,529
Capital Outlays	183,500	424,331	338,010	86,321
Total Expenditures	8,048,522	8,185,522	7,772,218	413,304
Excess of Revenues Under Expenditures	(3,043,376)	(2,466,359)	(1,932,029)	534,330
Other Financing Sources				
Sale of Capital Asset	4,252	4,252	29,413	25,161
Transfers in	1,800,000	1,800,000	1,800,000	0
Net Other Financing Sources	1,804,252	1,804,252	1,829,413	25,161
Net Change in Fund Balance	(1,239,124)	(662,107)	(102,616)	559,491
Recovery of Prior Year Encumbrances	0	0	108,495	108,495
Fund Balance Beginning of Year	5,951,471	5,951,471	5,951,471	0
Fund Balance End of Year	\$4,712,347	\$5,289,364	\$5,957,350	\$667,986

See accompanying notes to the basic financial statements

CITY OF KENT, OHIO

*Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$604,172	\$600,000	\$662,430	\$62,430
Charges for Services	4,028	4,000	2,415	(1,585)
Special Assessments	75,522	75,000	87,599	12,599
Miscellaneous	40,278	5,000	4,475	(525)
Total Revenues	724,000	684,000	756,919	72,919
Expenditures				
Current:				
Transportation				
Department of Public Services	1,440,588	1,474,168	1,452,121	22,047
Capital Outlays	181,637	173,057	173,050	7
Total Expenditures	1,622,225	1,647,225	1,625,171	22,054
Excess of Revenues Under Expenditures	(898,225)	(963,225)	(868,252)	94,973
Other Financing Sources				
Transfers In	570,000	570,000	570,000	0
Net Change in Fund Balance	(328,225)	(393,225)	(298,252)	94,973
Recovery of Prior Year Encumbrances	0	0	18,759	18,759
Fund Balance Beginning of Year	515,802	515,802	515,802	0
Fund Balance End of Year	\$187,577	\$122,577	\$236,309	\$113,732

See accompanying notes to the basic financial statements

CITY OF KENT, OHIO

*Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Income Tax Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$10,005,000	\$9,660,000	\$9,725,653	\$65,653
Interest	40,000	40,000	41,929	1,929
Miscellaneous	0	0	15	15
Total Revenues	10,045,000	9,700,000	9,767,597	67,597
Expenditures				
Current:				
General Government				
Department of Budget and Finance	818,493	818,493	741,099	77,394
Excess of Revenues Over Expenditures	9,226,507	8,881,507	9,026,498	144,991
Other Financing Sources (Uses)				
Transfers In	30,000	30,000	30,000	0
Transfers Out	(8,958,931)	(9,045,666)	(9,045,666)	0
Net Other Financing Sources (Uses)	(8,928,931)	(9,015,666)	(9,015,666)	0
Net Change in Fund Balance	297,576	(134,159)	10,832	144,991
Recovery of Prior Year Encumbrances	0	0	15,087	15,087
Fund Balance Beginning of Year	2,683,685	2,683,685	2,683,685	0
Fund Balance End of Year	\$2,981,261	\$2,549,526	\$2,709,604	\$160,078

See accompanying notes to the basic financial statements

CITY OF KENT, OHIO

*Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Income Tax Safety Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$0	\$0	\$13,460	\$13,460
Miscellaneous	0	0	2,478	2,478
Total Revenues	0	0	15,938	15,938
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	2,404,310	2,404,310	2,402,233	2,077
Excess of Revenues Under Expenditures	(2,404,310)	(2,404,310)	(2,386,295)	18,015
Other Financing Sources				
Transfers In	2,355,627	2,393,090	2,393,090	0
Net Change in Fund Balance	(48,683)	(11,220)	6,795	18,015
Fund Balance Beginning of Year	185,496	185,496	185,496	0
Fund Balance End of Year	\$136,813	\$174,276	\$192,291	\$18,015

See accompanying notes to the basic financial statements

CITY OF KENT, OHIO

*Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Fire and Emergency Medical Services Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$0	\$0	\$4,520	\$4,520
Miscellaneous	0	0	40	40
Total Revenues	0	0	4,560	4,560
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	2,257,093	2,308,053	2,306,794	1,259
Capital Outlays	196,405	145,445	136,531	8,914
Total Expenditures	2,453,498	2,453,498	2,443,325	10,173
Excess of Revenues Under Expenditures	(2,453,498)	(2,453,498)	(2,438,765)	14,733
Other Financing Sources				
Transfers In	2,355,627	2,393,090	2,393,090	0
Net Change in Fund Balance	(97,871)	(60,408)	(45,675)	14,733
Recovery of Prior Year Encumbrances	0	0	90,590	90,590
Fund Balance Beginning of Year	109,212	109,212	109,212	0
Fund Balance End of Year	\$11,341	\$48,804	\$154,127	\$105,323

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water Drainage		
Assets						
<i>Current Assets</i>						
Equity in Pooled Cash and Cash Equivalents	\$1,875,754	\$4,593,524	\$246,087	\$1,626,136	\$8,341,501	\$52,541
Receivables:						
Interest Receivable	9,022	7,462	0	0	16,484	0
Accounts Receivable	559,958	671,068	102,226	46,552	1,379,804	0
Other Receivable	0	157,083	0	0	157,083	0
Utilization Fee Receivable	48,606	115,771	0	0	164,377	0
Special Assessments Receivable	300,457	419,336	0	23,178	742,971	0
Less Allowance for Doubtful Accounts	(102,540)	(125,913)	(6,133)	(5,518)	(240,104)	0
Receivables, Net	815,503	1,244,807	96,093	64,212	2,220,615	0
Due from Other Governments	31,893	316,379	12,947	5,924	367,143	0
Inventories	12,717	11,222	0	0	23,939	0
Prepaid Items	5,270	20,888	94	400	26,652	0
<i>Total Current Assets</i>	<u>2,741,137</u>	<u>6,186,820</u>	<u>355,221</u>	<u>1,696,672</u>	<u>10,979,850</u>	<u>52,541</u>
<i>Noncurrent Assets</i>						
Restricted Assets:						
Cash and Cash Equivalents	0	425	0	0	425	0
Cash Surrender Value of Life Insurance Policies	0	0	0	0	0	868,107
Capital Assets, Non-Depreciable	3,380,612	10,055,874	0	558,888	13,995,374	0
Capital Assets, Depreciable, Net	12,018,256	17,238,678	3,290	8,999,536	38,259,760	0
<i>Total Noncurrent Assets</i>	<u>15,398,868</u>	<u>27,294,977</u>	<u>3,290</u>	<u>9,558,424</u>	<u>52,255,559</u>	<u>868,107</u>
<i>Total Assets</i>	<u>18,140,005</u>	<u>33,481,797</u>	<u>358,511</u>	<u>11,255,096</u>	<u>63,235,409</u>	<u>920,648</u>
Liabilities						
<i>Current Liabilities</i>						
Accounts Payable	39,768	36,010	16,932	650	93,360	24,875
Capital Contracts Payable	83,908	941,392	0	55,300	1,080,600	0
Claims Payable	0	0	0	0	0	221,983
Accrued Wages and Benefits	51,592	70,266	1,764	0	123,622	0
Due to Other Governments	6,651	10,038	0	0	16,689	0
Due to Other Funds	512,100	1,628,980	481,466	976,000	3,598,546	0
Matured Compensated Absences Payable	0	3,647	0	0	3,647	0
Deferred Revenue	567	6,854	0	0	7,421	0
Accrued Interest Payable	0	19,364	0	0	19,364	0
Notes Payable	0	3,633,140	0	0	3,633,140	0
Payable from Restricted Assets	0	425	0	0	425	0
Compensated Absences Payable	78,626	97,909	1,770	0	178,305	0
OWDA Loans	18,897	0	0	0	18,897	0
<i>Total Current Liabilities</i>	<u>792,109</u>	<u>6,448,025</u>	<u>501,932</u>	<u>1,031,950</u>	<u>8,774,016</u>	<u>246,858</u>
<i>Long-Term Liabilities</i>						
Compensated Absences Payable	7,631	9,538	308	0	17,477	0
OWDA Loans	424,483	2,294,345	0	0	2,718,828	0
<i>Total Long-Term Liabilities</i>	<u>432,114</u>	<u>2,303,883</u>	<u>308</u>	<u>0</u>	<u>2,736,305</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,224,223</u>	<u>8,751,908</u>	<u>502,240</u>	<u>1,031,950</u>	<u>11,510,321</u>	<u>246,858</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	14,955,488	21,367,067	3,290	9,558,424	45,884,269	0
Unrestricted	1,960,294	3,362,822	(147,019)	664,722	5,840,819	673,790
<i>Total Net Assets</i>	<u>\$16,915,782</u>	<u>\$24,729,889</u>	<u>(\$143,729)</u>	<u>\$10,223,146</u>		<u>\$673,790</u>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities. (42,440)
\$51,682,648

See accompanying notes to the basic financial statements

City of Kent, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004*

	Business-Type Activities				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water Drainage		
Operating Revenues						
Charges for Services	\$2,800,642	\$3,514,419	\$409,650	\$492,517	\$7,217,228	\$2,266,644
Miscellaneous	30,244	19,225	0	0	49,469	0
<i>Total Operating Revenues</i>	<u>2,830,886</u>	<u>3,533,644</u>	<u>409,650</u>	<u>492,517</u>	<u>7,266,697</u>	<u>2,266,644</u>
Operating Expenses						
Personal Services	1,199,256	1,425,014	38,169	0	2,662,439	0
Benefits	441,710	529,620	15,394	0	986,724	0
Utilities	194,117	265,160	0	0	459,277	0
Contractual Services	185,546	260,873	314,291	56,397	817,107	0
Materials and Supplies	299,364	202,004	1,332	0	502,700	0
Claims	0	0	0	0	0	2,034,716
Premiums	0	0	0	0	0	336,568
Other Operating Expenses	20,654	26,071	1,755	3,136	51,616	0
Depreciation	528,227	617,859	436	178,267	1,324,789	0
<i>Total Operating Expenses</i>	<u>2,868,874</u>	<u>3,326,601</u>	<u>371,377</u>	<u>237,800</u>	<u>6,804,652</u>	<u>2,371,284</u>
<i>Operating Income (Loss)</i>	<u>(37,988)</u>	<u>207,043</u>	<u>38,273</u>	<u>254,717</u>	<u>462,045</u>	<u>(104,640)</u>
Non Operating Revenues (Expenses)						
Intergovernmental	4,549	79,484	12,500	0	96,533	0
Interest	30,541	43,779	0	20,044	94,364	42,938
Interest and Fiscal Charges	(19,006)	(57,293)	0	0	(76,299)	0
<i>Total Non Operating Revenues (Expenses)</i>	<u>16,084</u>	<u>65,970</u>	<u>12,500</u>	<u>20,044</u>	<u>114,598</u>	<u>42,938</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>(21,904)</u>	<u>273,013</u>	<u>50,773</u>	<u>274,761</u>	<u>576,643</u>	<u>(61,702)</u>
Capital Contributions from Tap-in Fees	156,077	274,432	0	0	430,509	0
Capital Contributions from Special Assessments	49,725	184,649	0	0	234,374	0
Capital Contributions from Developers	71,220	0	0	0	71,220	0
Capital Grants	0	2,663,886	0	0	2,663,886	0
Gain on Sale of Capital Asset	17,357	0	0	0	17,357	0
Transfers In	0	0	0	200,000	200,000	0
Transfers Out	0	0	0	(30,000)	(30,000)	0
<i>Change in Net Assets</i>	<u>272,475</u>	<u>3,395,980</u>	<u>50,773</u>	<u>444,761</u>	<u>4,163,989</u>	<u>(61,702)</u>
<i>Net Assets Beginning of Year - Restated - (See Note 3)</i>	<u>16,643,307</u>	<u>21,333,909</u>	<u>(194,502)</u>	<u>9,778,385</u>	<u>47,561,099</u>	<u>735,492</u>
<i>Net Assets End of Year</i>	<u>\$16,915,782</u>	<u>\$24,729,889</u>	<u>(\$143,729)</u>	<u>\$10,223,146</u>		<u>\$673,790</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

(42,440)
\$51,682,648

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water Drainage		
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$2,714,913	\$3,559,158	\$367,844	\$553,230	\$7,195,145	\$2,266,644
Cash Payments for Employee Services and Benefits	(1,671,905)	(1,980,642)	(54,410)	0	(3,706,957)	0
Cash Payments to Suppliers for Goods and Services	(687,798)	(783,500)	(319,178)	(56,790)	(1,847,266)	(2,259,720)
Other Operating Revenues	27,872	10,190	0	0	38,062	0
Other Operating Expenses	(16,785)	(24,691)	(385)	(1,084)	(42,945)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	366,297	780,515	(6,129)	495,356	1,636,039	6,924
Cash Flows from Noncapital Financing Activities						
Transfers In	0	0	0	200,000	200,000	0
Intergovernmental	3,603	65,565	12,500	0	81,668	0
Transfers Out	0	0	0	(30,000)	(30,000)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	3,603	65,565	12,500	170,000	251,668	0
Cash Flows from Capital and Related Financing Activities						
Acquisition of Capital Assets	(1,163,002)	(5,289,964)	0	(449,921)	(6,902,887)	0
Capital Grants	0	2,436,668	0	0	2,436,668	0
Proceeds of Notes	0	3,610,000	0	0	3,610,000	0
Premium on Notes	0	23,140	0	0	23,140	0
Proceeds of Loans	20,112	1,663,857	0	0	1,683,969	0
Principal Paid on OWDA Loans	(18,226)	0	0	0	(18,226)	0
Special Assessments	71,288	41,795	0	1,185	114,268	0
Tap-In Fees	107,091	156,183	0	0	263,274	0
Principal Paid on Notes	0	(2,910,000)	0	0	(2,910,000)	0
Interest Paid on Notes	(19,006)	(42,195)	0	0	(61,201)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(1,001,743)	(310,516)	0	(448,736)	(1,760,995)	0
Cash Flows from Investing Activities						
Payments for Investments	0	0	0	0	0	(30,472)
Proceeds from Sale of Investments	0	0	0	0	0	21,700
Interest on Investments	29,045	43,803	0	19,964	92,812	42,938
<i>Net Cash Provided by Investing Activities</i>	29,045	43,803	0	19,964	92,812	34,166
Net Increase (Decrease) in Cash and Cash Equivalents	(602,798)	579,367	6,371	236,584	219,524	41,090
<i>Cash and Cash Equivalents Beginning of Year</i>	2,478,552	4,014,582	239,716	1,389,552	8,122,402	11,451
<i>Cash and Cash Equivalents End of Year</i>	\$1,875,754	\$4,593,949	\$246,087	\$1,626,136	\$8,341,926	\$52,541

(continued)

City of Kent, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2004

	Business-Type Activities				Total	Governmental
	Water	Sewer	Solid Waste	Storm Water Drainage		Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities						
Operating Income (Loss)	(\$37,988)	\$207,043	\$38,273	\$254,717	\$462,045	(\$104,640)
<i>Adjustments:</i>						
Depreciation	528,227	617,859	436	178,267	1,324,789	0
(Increase) Decrease in Assets:						
Accounts Receivable	(88,871)	35,806	(40,436)	62,765	(30,736)	0
Materials and Supplies Inventory	(3,094)	(392)	0	0	(3,486)	0
Prepaid Items	8,276	(15,000)	(49)	(400)	(7,173)	450
Due from Other Governments	(2,325)	(8,828)	0	0	(11,153)	0
Increase (Decrease) in Liabilities:						
Accounts Payable	(12,093)	(38,320)	(3,506)	7	(53,912)	7,198
Claims Payable	0	0	0	0	0	103,916
Accrued Wages	(37,638)	(37,332)	(965)	0	(75,935)	0
Compensated Absences Payable	6,618	11,243	118	0	17,979	0
Due to Other Governments	5,185	8,436	0	0	13,621	0
<i>Total Adjustments</i>	404,285	573,472	(44,402)	240,639	1,173,994	111,564
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$366,297</u>	<u>\$780,515</u>	<u>(\$6,129)</u>	<u>\$495,356</u>	<u>\$1,636,039</u>	<u>\$6,924</u>

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Escrow Fund
December 31, 2004

Assets

Cash and Cash Equivalents	<u>\$421,840</u>
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Liabilities

Accounts Payable	<u>\$421,840</u>
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See accompanying notes to the basic financial statements

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 – Description of the City and Reporting Entity

The City of Kent (the City) is a home rule municipal corporation established under the laws of the State of Ohio. In 1963, a voter-approved Charter became effective which provides for a Council/Manager form of government.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. This definition of reporting entity is found in GASB Statement No. 14, “The Financial Reporting Entity.”

The City of Kent’s primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The City provides the following services as authorized by its Charter: police, fire, emergency medical assistance, public health care, recreation programs (including parks), transportation programs, water production, sanitary and storm sewers, recycling, planning and zoning, and general administration. None of these services are provided by legally separate organizations; therefore, these operations are included in the primary government. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

The City is associated with one jointly governed organization, the Northeast Ohio Public Energy Council. Information about the organization is presented in Note 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-types activity 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 governmental function or business activity 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. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

General Fund This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction, Maintenance and Repair Fund - This fund accounts for a percentage of the revenue from the City’s share of State gasoline taxes and vehicle registration fees. State law requires that these taxes be used for maintenance of streets. Additional financing is provided by transfers from the Income Tax fund.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Income Tax Fund - This fund accounts for the revenue received from the municipal income tax, the expenditures relative to the administration of income tax collections, and transfers to support the operations of other funds.

Income Tax Safety Fund - This fund accounts for the public safety expenditures relative to the distribution of municipal income tax monies as required by the City Charter.

Fire and Emergency Medical Services Fund - This fund accounts for fire and ambulance service expenditures relative to the distribution of municipal income tax monies as required by the City Charter.

Capital Projects Fund - This fund is used to account for expenditures related to the acquisition and construction of major capital facilities and infrastructure, except those financed by Proprietary Funds. Primary financing is provided by transfers from the Income Tax Fund.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

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

Enterprise Funds 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:

Water Fund - This fund is used to account for provision of water services provided to the residential and commercial users of the City.

Sewer Fund - This fund is used to account for sanitary sewer services provided to the residential and commercial users of the City.

Solid Waste Fund - This fund is used to account for solid waste collection services provided to the residential and commercial users of the City.

Storm Water Drainage Fund - This fund is used to account for storm water drainage services provided to the residential and commercial users of the City.

Internal Service Funds 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 fund reports on a self-insurance program for employee health and life insurance benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only agency fund holds in trust those funds held by the City and received from a contractor, developer, or individual to ensure compliance with the ordinances of the City of Kent.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are presented using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. 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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current 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. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 and motor vehicle license fees), fines and forfeitures, interest, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue, although none were reported in 2004.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investments are reported at fair value which is based on quoted market prices as of the valuation date, with the exception of nonparticipating repurchase agreements and non-negotiable certificate of deposits, which are reported at cost.

During the year, the City's investments were limited to non-negotiable certificates of deposits.

Following Ohio statutes, the City has, by ordinance, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during 2004 amounted to \$218,813, which includes \$138,887 assigned from other City funds.

The City considers highly liquid investments, with an original maturity of three months or less, to be cash equivalents. Investments with an original maturity of three months or more are disclosed as investments.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City capitalization threshold is \$2,500 for 2004. 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 proprietary fund capital assets is also capitalized.

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

Description	Estimated Lives
Buildings and Improvements	10 - 45 years
Infrastructure	10 - 80 years
Machinery and Equipment	3 - 25 years
Vehicles	3 - 20 years

The City's infrastructure consists of roads, culverts, traffic signals, water mains, sanitary sewers and storm water drainage lines.

Although all governments are encouraged to report all infrastructure assets at the effective dates of the statement, governments are permitted to defer retroactive reporting of infrastructure for four years. The City has elected this option and will report major general infrastructure assets in 2005.

I. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Due to/from other funds." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

J. Compensated Absences

Vacation 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 employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Equity

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for loans receivable, debt service, inventories, prepaid items and encumbrances. The City also maintains a designation of unreserved fund balance for an account titled "For Public Facilities and Programs."

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

M. Net Assets

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

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

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services and other operating revenue for the water and sewer fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non operating.

O. Contributions of Capital

Contributions of capital in governmental and 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.

P. Interfund Activity

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Budget and Finance. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect when final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3 - Restatement of Prior Year Fund Balances and Net Assets

It was determined that other receivable, accrued interest receivable and accrued wages and benefits were previously understated and had the following effects on fund balances of the major and nonmajor funds of the City that were previously reported.

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Income Tax</u>	<u>Income Tax Safety</u>
Fund Balances (Deficit), December 31, 2003	\$8,867,160	\$813,609	\$5,955,921	\$106,938
Understatement of Other Receivable	30,000	0	0	0
Understatement of Accrued Interest Receivable	0	0	1,805	0
Over(Under)statement of Accrued Wages and Benefits	<u>56,425</u>	<u>15,704</u>	<u>5,791</u>	<u>0</u>
Adjusted Fund Balance (Deficit), December 31, 2003	<u>\$8,953,585</u>	<u>\$829,313</u>	<u>\$5,963,517</u>	<u>\$106,938</u>
	<u>Fire and Emergency Medical Services</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances (Deficit), December 31, 2003	\$695,253	(\$1,528,623)	\$2,426,586	\$17,336,844
Understatement of Other Receivable	0	0	0	30,000
Understatement of Accrued Interest Receivable	0	0	0	1,805
Over(Under)statement of Accrued Wages and Benefits	<u>1,152</u>	<u>0</u>	<u>(270,616)</u>	<u>(191,544)</u>
Adjusted Fund Balance (Deficit), December 31, 2003	<u>\$696,405</u>	<u>(\$1,528,623)</u>	<u>\$2,155,970</u>	<u>17,177,105</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

It was determined that capital assets and capital contracts payable were previously understated and had the following effect on net assets at December 31, 2003. The transition from governmental fund balances to net assets of governmental activities is also presented.

	Governmental Activities	Water	Sewer
Net Assets, December 31, 2003, as previously reported:	\$32,938,231	\$16,571,897	\$21,302,079
Understatement of Other Receivable	30,000	0	0
Understatement of Accrued Interest Receivable	1,805	0	0
Under(Over)statement of Capital Assets	255,305	33,816	(7,251)
Overstatement of Accrued Wages and Benefits	90,896	30,262	33,178
Understatement of Capital Contract Payable	0	0	(2,913)
Restated Net Assets, December 31, 2003	<u>\$33,316,237</u>	<u>\$16,635,975</u>	<u>\$21,325,093</u>

	Solid Waste	Storm Water Drainage	Total Business-Type Activities
Net Assets, December 31, 2003, as Previously reported:	(\$195,429)	\$9,778,385	\$47,456,932
Under(Over)statement of Capital Assets	0	0	26,565
Overstatement of Accrued Wages and Benefits	656	0	64,096
Understatement of Capital Contract Payable	0	0	(2,913)
Restated Net Assets, December 31, 2003	<u>(\$194,773)</u>	<u>\$9,778,385</u>	<u>\$47,544,680</u>

Note 4 – Accountability and Compliance

A. Fund Deficits

Notes payable of \$4,170,000 caused a deficit fund balance of \$1,675,489 in the Capital Projects fund. The notes were issued to provide funding primarily for the main fire station renovation and expansion. It is anticipated that the notes will eventually be retired through the issuance of general obligation bonds, which will eliminate the notes payable liability and resulting deficit fund balance.

Start-up costs associated with the City’s recycling program (initiated in 1990) resulted in deficit net assets in the Solid Waste fund. Disposition of Solid Waste fund capital assets in 1995 resulted in a loss of \$90,575 that contributed to increasing the deficit to \$446,384 at December 31, 2001. In 2001, City Council approved a substantial rate increase that was effective in January 2002. The rate increase generated increased revenues which resulted in net income of \$38,273, reducing the fund deficit to \$143,729 at December 31, 2004.

B. Expenditures Exceeding Appropriations

Section 5704.41 (B), Ohio Revised Code, states no subdivision shall make any expenditure of money unless it has been appropriated. Section 5704.41 (D), Ohio Revised Code, states in part that encumbrances should be charged against proper appropriations and actual disbursements plus outstanding encumbrances should not be greater than the total appropriations. The following fund had expenditures in excess of appropriations:

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Fund	Final		Variance
	Appropriations	Expenditures	
State and Local Forfeits Fund			
Capital Outlay	\$0	\$22,000	(\$22,000)

The expenditure causing the negative variance was a non-cash transaction related to the trade-in of a forfeited vehicle. Due to the value of the vehicle, the City believed it would be misleading to record this exchange at net.

Note 5 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General, Street Construction, Maintenance and Repair, Income Tax, Income Tax Safety, and the Fire and Emergency Medical Services funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments reported at fair value (GAAP) rather than cost (budget basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General fund and for the four major special revenue funds.

Net Change in Fund Balance

	General	Street Construction, Maintenance and Repair	Income Tax	Income Tax Safety	Fire and Emergency Medical Services
GAAP Basis	(\$89,902)	(\$239,735)	\$102,909	\$64,327	(\$426,208)
Net Adjustment for Revenue Accruals	384,577	(90,619)	26,169	866	(644)
Net Adjustment for Expenditure Accruals	386,522	122,593	(82,642)	(58,398)	532,946
Encumbrances	(783,813)	(90,491)	(35,604)	0	(151,769)
Budget Basis	<u>(\$102,616)</u>	<u>(\$298,252)</u>	<u>\$10,832</u>	<u>\$6,795</u>	<u>(\$45,675)</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 6 - Deposits and Investments

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement 3. The captions on the combined balance sheet related to cash and cash equivalents are as follows:

	GASB Statement 9	GASB Statement 3
Cash	\$1,443,134	\$23,570,515
Investments	22,524,481	397,100
Total Deposits and Investments	23,967,615	23,967,615
Less: Restricted Cash and Cash Equivalents	(135,375)	(135,375)
Cash and Cash Equivalents	\$23,832,240	\$23,832,240

The City maintains a cash pool that is available for the use by all funds and accounts except for the Sewer fund and the Water fund, which are maintained separately. Also maintained separately are accounts for revolving loans and restricted cash. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents." State statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in an amount equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation, or other authority.

The City's ordinances authorize the City to invest in certificates of deposit or repurchase agreements for a period not to exceed six months with any eligible institution which is designated as a public depository in the State of Ohio. The City did not invest in repurchase agreements in 2004. The investment balance in certificates of deposit is included in the deposit section, based on the criteria set forth in GASB Statement 3. Included as investments are obligations of the City of Kent held by the City.

Deposits The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the City's name.)

Insured	Risk Category	Financial Institution	Book Balance	Bank Balance
FDIC	1	JP Morgan Chase Bank, NA	\$100,000	\$100,000
FDIC	1	First Merit	100,000	100,000
FDIC	1	Home Savings Bank	100,000	100,000
FDIC	1	Huntington National Bank	500	100,000
FDIC	1	Key Bank	100,000	100,000
FDIC	1	Sky Bank	100,000	100,000
No	2	Home Savings Bank	130,891	130,891
No	3	JP Morgan Chase Bank, NA	2,578,284	2,578,284
No	3	First Merit	12,249,481	12,249,481
No	3	Huntington National Bank	0	894,056
No	3	Key Bank	16,359	26,781
No	3	Sky Bank	8,095,000	8,095,558
Total Deposits			<u>\$23,570,515</u>	<u>\$24,575,051</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

All deposits are carried at cost. At year end, the carrying amount of the City's cash and deposits was \$23,570,515 and the bank balance was \$24,575,051. Of the bank balance, \$600,000 was insured, \$130,891 was classified as risk Category 2, and \$23,844,160 was classified as risk Category 3.

Investments

Category 1 - Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

The City's investments at December 31, 2004, were as follows:

Risk Category		Cost	Fair Value
1	City of Kent Bonds	\$361,000	\$397,100

Note 7 - Income Taxes

During 2004, the City levied income tax of 2% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City; however, credit is allowed for income taxes paid to other municipalities, up to a maximum of 2%.

Note 8 - Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the City. The assessed value upon which the 2004 levy was based was \$358,037,786.

Real property taxes received by the City in a calendar year are levied on January 1 of the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of all property is required to be completed no less that every six years, with a statistical update every third year. A revaluation was completed in 2000. Public utility property taxes are assessed on tangible personal property, as well as land improvements, at true value (in general, true value is net book value). Tangible personal property used in business (except for public utilities) is assessed at 23% of average value for inventories and 25% of true value for substantially all other personal property for the year 2004.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Kent. Taxes are payable in two equal installments on February 15 and July 17 and, if not paid, become delinquent approximately ten days subsequent to the date they are payable. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes are recognized as revenues when received since they are used to pay current period liabilities.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 – Interfund Balances and Transfers

As of December 31, 2004, individual funds due to/from other funds that resulted from various interfund transactions were as follows:

	PAYABLE FUND						
	<i>Governmental Activities</i>			<i>Business-Type Activities</i>			
	Nonmajor	Water	Sewer	Solid Waste	Storm Water Drainage	Total	Total
RECEIVABLE FUND							
<i>Governmental Activities</i>							
General	\$200,000	\$0	\$0	\$481,466	\$870,000	\$1,351,466	\$1,551,466
Income Tax	0	512,100	1,628,980	0	106,000	2,247,080	2,247,080
Total	<u>\$200,000</u>	<u>\$512,100</u>	<u>\$1,628,980</u>	<u>\$481,466</u>	<u>\$976,000</u>	<u>\$3,598,546</u>	<u>\$3,798,546</u>

Transfers made during the year ended December 31, 2004 were as follows:

	TRANSFERS OUT				
	<i>Governmental Activities</i>			<i>Business-Type Activities</i>	
	Income Tax	License Tax	Total	Storm Water Drainage	Total
TRANSFERS IN					
<i>Governmental Activities</i>					
General	\$1,800,000	\$0	\$1,800,000	\$0	\$1,800,000
Street Construction, Maintenance and Repair	450,000	120,000	570,000	0	570,000
Income Tax	0	0	0	30,000	30,000
Income Tax Safety	2,393,090	0	2,393,090	0	2,393,090
Fire and Emergency Medical Services	2,393,090	0	2,393,090	0	2,393,090
Capital Projects	1,500,000	0	1,500,000	0	1,500,000
Nonmajor	309,486	0	309,486	0	309,486
Total Governmental Activities	<u>8,845,666</u>	<u>120,000</u>	<u>8,965,666</u>	<u>30,000</u>	<u>8,995,666</u>
<i>Business-Type Activities</i>					
Storm Water Drainage	200,000	0	200,000	0	200,000
Total	<u>\$9,045,666</u>	<u>\$120,000</u>	<u>\$9,165,666</u>	<u>\$30,000</u>	<u>\$9,195,666</u>

Transfers are primarily from the Income Tax special revenue fund to various funds within the City to help finance the various programs accounted for in other funds.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 10 – Risk Management

The City has established a formal self-insurance program for liabilities arising from employee health and life benefits. This exposure is accounted for in the Health and Life Insurance Internal Service fund which is responsible for collecting interfund premiums from other City funds and departments, paying claim settlements and purchasing other specified insurance policies. Reinsurance for any individual loss over \$80,000 is covered by Sun Life of Canada.

The claims liability of \$221,983 reported in the fund at December 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claim, be reported. Changes in the fund's claims liability amount in 2003 and 2004 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$157,524	\$1,601,024	\$1,640,481	\$118,067
2004	118,067	2,034,716	1,930,800	221,983

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from the previously noted risks have not exceeded commercial insurance coverage in the past three fiscal years. During 2004, the City contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Deductible
The Clarendon National Insurance Company	Public Officials Liability	\$15,000
Scottsdale Insurance Company	Law Enforcement Liability	15,000
St. Paul Fire and Marine Insurance Company	Commercial Property	2,500
St. Paul Fire and Marine Insurance Company	Commercial Crime	1,000
St. Paul Fire and Marine Insurance Company	Inland Marine	1,000
St. Paul Fire and Marine Insurance Company	Boiler and Machinery	2,500
The Clarendon National Insurance Company	Automobile Comprehensive	500
The Clarendon National Insurance Company	Automobile Collision	500
St. Paul Fire and Marine Insurance Company	General Liability	250
St. Paul Fire and Marine Insurance Company	General Liability - Sewer Backup	5,000
St. Paul Fire and Marine Insurance Company	Excess General Liability	10,000
American Alternative Insurance Company	Fire Errors and Omissions	0
American Alternative Insurance Company	Ambulance Malpractice	0
Ohio Casualty Insurance Company	Bond - Finance Officials	0
Ohio Casualty Insurance Company	Blanket Employee Faithful Performance Bond	1,000

The contracts listed above reflect no significant reduction in insurance coverage as compared to the prior year. Finally, the City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$2,892,058	\$87,085	(\$740)	\$2,978,403
Construction in Progress	244,351	2,001,431	(516,624)	1,729,158
<i>Total Capital Assets, Not Being Depreciated</i>	<u>3,136,409</u>	<u>2,088,516</u>	<u>(517,364)</u>	<u>4,707,561</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings, Structures and Improvements	10,597,318	92,067	0	10,689,385
Machinery and Equipment	7,830,599	1,012,523	(25,169)	8,817,953
Infrastructure:				
Roads	2,351,681	769,798	0	3,121,479
Traffic Signals	11,289	239,336	0	250,625
<i>Total Capital Assets, Being Depreciated</i>	<u>20,790,887</u>	<u>2,113,724</u>	<u>(25,169)</u>	<u>22,879,442</u>
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	(2,667,103)	(365,149)	0	(3,032,252)
Machinery and Equipment	(5,233,430)	(589,670)	25,169	(5,797,931)
Infrastructure:				
Roads	(66,336)	(170,969)	0	(237,305)
Traffic Signals	(282)	(7,357)	0	(7,639)
<i>Total Accumulated Depreciation</i>	<u>(7,967,151)</u>	<u>(1,133,145) *</u>	<u>25,169</u>	<u>(9,075,127)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,823,736</u>	<u>980,579</u>	<u>0</u>	<u>13,804,315</u>
Governmental Activities Capital Assets, Net	<u>\$15,960,145</u>	<u>\$3,069,095</u>	<u>(\$517,364)</u>	<u>\$18,511,876</u>

* Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$446,201
Public Health and Welfare	2,189
Leisure Time Activities	57,812
Community Development	14,890
Transportation	457,409
General Government	154,644
Total Depreciation Expense	<u>\$1,133,145</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$1,742,484	\$53,371	\$0	\$1,795,855
Construction in Progress	6,229,160	7,319,044	(1,348,685)	12,199,519
<i>Total Capital Assets, Not Being Depreciated</i>	<u>7,971,644</u>	<u>7,372,415</u>	<u>(1,348,685)</u>	<u>13,995,374</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings, Structures and Improvements	12,878,009	227,851	0	13,105,860
Machinery and Equipment	9,141,613	123,467	(13,888)	9,251,192
Infrastructure:				
Water Mains	10,204,608	1,250,418	(55,387)	11,399,639
Sanitary Sewers	14,856,552	191,234	0	15,047,786
Storm Water Drainage Lines	11,476,150	0	0	11,476,150
<i>Total Capital Assets, Being Depreciated</i>	<u>58,556,932</u>	<u>1,792,970</u>	<u>(69,275)</u>	<u>60,280,627</u>
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	(6,182,725)	(303,005)	0	(6,485,730)
Machinery and Equipment	(5,990,648)	(421,903)	13,888	(6,398,663)
Infrastructure:				
Water Mains	(3,391,233)	(180,638)	15,694	(3,556,177)
Sanitary Sewers	(2,834,113)	(244,789)	0	(3,078,902)
Storm Water Drainage Lines	(2,326,941)	(174,454)	0	(2,501,395)
<i>Total Accumulated Depreciation</i>	<u>(20,725,660)</u>	<u>(1,324,789) *</u>	<u>29,582</u>	<u>(22,020,867)</u>
Total Capital Assets, Being Depreciated, Net	<u>37,831,272</u>	<u>468,181</u>	<u>(39,693)</u>	<u>38,259,760</u>
Business-Type Activities Capital Assets, Net	<u><u>\$45,802,916</u></u>	<u><u>\$7,840,596</u></u>	<u><u>(\$1,388,378)</u></u>	<u><u>\$52,255,134</u></u>

* Depreciation expense was charged to business-type funds as follows:

Business-Type Activities	
Water Fund	\$528,227
Sewer Fund	617,859
Solid Waste Fund	436
Storm Water Drainage Fund	178,267
	<u><u>\$1,324,789</u></u>

Note 12 - Pension and Other Post-employment Benefits

The City of Kent as well as all of its employees are required to participate in one of two separate retirement systems, both of which are cost-sharing, multiple employer defined benefit pension plans. The following information was provided by the Public Employees Retirement System of Ohio and the Ohio Police and Fire Pension Fund to assist the City in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers" and GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Governmental Employers."

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- 3) The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll. The City's contributions to OPERS for the years ending December 31, 2004, 2003 and 2002 were \$841,818, \$839,133, and \$775,308, respectively, which were equal to the required contributions.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional Pension and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll, which amounted to \$457,479. In 2003 and 2002, the employer contribution rate for post-employment health care was 5.0%.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

OPEBs are advanced-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2003 was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

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

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (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 for the plan. Interested parties may obtain a copy by making a written request to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while the City is required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2004, 2003 and 2002 were \$498,681, \$492,091 and \$474,487 for police and \$484,320, \$464,249 and \$443,209 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F provides 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and in 2004. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003, (the latest actuarial valuation available) was 13,662 for police and 10,474 for firefighters. The portion of the City's contributions that was used to pay post-employment benefits was \$197,976 for police and \$156,435 for firefighters. The OP&F had total health care expenses for the year ended December 31, 2003, the date of the last actuarial valuation available, of \$150,853,148, which was net of member contributions of \$17,207,506.

Note 13 – Other Employee Benefits

A. Compensated Absences

Accumulated Unpaid Vacation and Compensatory Time City employees earn vacation leave ranging from 10 to 30 days per year based on length of service, except for firemen who accumulate vacation at rates from 6 to 14 tours of duty per year based on length of service. Accumulated vacation leave cannot exceed 10 days for City employees and 5 tours of duty for firemen at the end of any year. All accumulated unused vacation time is paid upon termination.

The total obligation for vacation and compensatory time accrual for the City, including salary-related payments, amounted to \$937,164 as of December 31, 2004.

Accumulated Unpaid Sick Leave Sick leave for City employees is accrued at rates from 119.6 to 195 hours per year. Employees may convert 50 percent of their current year accumulated sick leave into a lump-sum payment within certain limitations. Employees who retire after 10 years of service may convert 50 percent of their accumulated sick leave days into a lump-sum payment within certain limitations. The obligation for sick leave accrual was calculated using the termination payments method and amounted to \$67,077 as of December 31, 2004.

A. Other Benefits

City employees are contractually entitled to severance pay equal to one month of their salary if they retire with at least 10 years of service. The severance pay obligation was calculated using the termination payments method and amounted to \$16,464 as of December 31, 2004.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 14 - Construction and Other Commitments

As of December 31, 2004, the City had capital contracts payable of \$732,274 and \$1,080,600 in governmental funds and enterprise funds, respectively.

	<u>Contract Amount</u>
Governmental	
State Route 43 Widening and Resurfacing	\$448,724
Middlebury Road Bridge	226,574
Crain Avenue Bridge	29,207
2004 Street Program	10,259
Kent Recreation Center Gym Floor	6,340
Ultralyte Hand Held Speed and Long Range Unit	5,790
Tractor with Snow Blower	4,799
Intersection Light	581
	<u>732,274</u>
Business-Type	
Water Reclamation Facility Improvements	278,502
Gougler Pump Station	267,938
South Central Sanitary Trunk Sewer	232,270
24" Redundant Water Line	80,199
Cuyahoga River Restoration	74,132
Sanitary Sewer Replacement	57,651
Sub Area Q	36,916
Akron Boulevard Storm Water Line	17,890
Sanitary Sewer Rehab	16,150
Glad Boulevard	15,403
Cherry-Middlebury Water Line	3,055
Area Q Outfall	494
	<u>1,080,600</u>
Total	<u><u>\$1,812,874</u></u>

The City had no material operating lease commitments at December 31, 2004.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 15 – Long-term Obligations

Changes in bonds and other long-term obligations of the City during 2004 were as follows:

	Principal Outstanding 12/31/03	Additions	Deletions	Principal Outstanding 12/31/04	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
\$3,000,000 Various Purpose 1998 4.10% - 5.20%	\$2,475,000	\$0	\$120,000	\$2,355,000	\$120,000
Special Assessment Bonds:					
\$613,000 Street Improvements 1988 7.60% - 7.80%	115,000	0	20,000	95,000	20,000
\$561,000 Street Improvements 2000 5.50% - 6.00%	512,000	0	18,000	494,000	19,000
<i>Total Special Assessment Bonds</i>	<u>627,000</u>	<u>0</u>	<u>38,000</u>	<u>589,000</u>	<u>39,000</u>
Ohio Public Works Commission Loans					
\$512,940 Fairchild Avenue Improvements 1999 0.00%	384,705	0	25,647	359,058	25,647
\$86,000 Elm-Mae-Morris Improvements 2001 0.00%	70,950	0	4,300	66,650	4,300
<i>Total Ohio Public Works Commission Loans</i>	<u>455,655</u>	<u>0</u>	<u>29,947</u>	<u>425,708</u>	<u>29,947</u>
Compensated Absences	791,336	40,536	6,949	824,923	588,401
<i>Total Governmental Activities</i>	<u>\$4,348,991</u>	<u>\$40,536</u>	<u>\$194,896</u>	<u>\$4,194,631</u>	<u>\$777,348</u>
Business-Type Activities					
Ohio Water Development Authority Loans					
\$411,114 Kent-Ravenna Interconnect 2003 3.65%	\$411,114	\$50,492	\$18,226	\$443,380	\$18,897
\$630,488 Sanitary Sewer Improvements 2003 3.66%	630,488	1,663,857	0	2,294,345	0
<i>Total Ohio Water Development Authority Loans</i>	<u>1,041,602</u>	<u>1,714,349</u>	<u>18,226</u>	<u>2,737,725</u>	<u>18,897</u>
Compensated Absences	181,450	19,746	5,414	195,782	178,305
<i>Total Business-Type Activities</i>	<u>\$1,223,052</u>	<u>\$1,734,095</u>	<u>\$23,640</u>	<u>\$2,933,507</u>	<u>\$197,202</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Governmental Activities							
Years	General Obligation Bonds		Special Assessment Bonds		OPWC	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2005	\$120,000	\$116,130	\$39,000	\$36,375	\$29,947	\$188,947	\$152,505
2006	130,000	110,910	45,000	33,780	29,947	204,947	144,690
2007	135,000	105,125	47,000	30,730	29,947	211,947	135,855
2008	140,000	99,050	48,000	27,570	29,947	217,947	126,620
2009	145,000	92,680	24,000	24,355	29,947	198,947	117,035
2010-2014	845,000	351,028	144,000	99,475	149,735	1,138,735	450,503
2015-2019	840,000	111,800	195,000	50,640	124,088	1,159,088	162,440
2020	0	0	47,000	2,820	2,150	49,150	2,820
Total	\$2,355,000	\$986,723	\$589,000	\$305,745	\$425,708	\$3,369,708	\$1,292,468

The general long-term obligation resulting from special assessment projects are funded through the issuance of bonds payable. Bonds issued are backed by the full faith, credit and general revenues of the City and fully retired with assessments levied against property owners. Assessments are receivable over periods ranging from ten to twenty years, with interest equal to the interest on the bonds issued to finance the improvements.

The Ohio Water Development Authority loans reflect loan amounts outstanding as of December 31, 2004. The amount authorized but unissued was \$63,634 for the Kent-Ravenna Interconnect Project and \$2,228,970 for the Sanitary Sewer Improvements Project. Repayment schedules will be provided when the loans are finalized.

The City has the ability to issue \$13 million of additional debt without obtaining voter approval.

Note 16 – Note Obligations

A summary of note transactions for the year ended December 31, 2004 follows:

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Governmental Activities				
Capital Projects Fund				
2003, 1.45%	\$4,405,000	\$0	\$4,405,000	\$0
2004, 2.75%	0	4,170,000	0	4,170,000
<i>Total Capital Projects Fund</i>	4,405,000	4,170,000	4,405,000	4,170,000
Business-Type Activities				
Sewer Fund				
2003, 1.45%	2,910,000	0	2,910,000	0
2004, 2.75%	0	3,610,000	0	3,610,000
<i>Total Sewer Fund</i>	2,910,000	3,610,000	2,910,000	3,610,000
Total	\$7,315,000	\$7,780,000	\$7,315,000	\$7,780,000

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

On October 21, 2004, the City issued \$7.78 million in various purpose notes at an interest rate of 2.75% with a maturity date of October 20, 2005. The notes are backed by the full faith and credit of the City of Kent. However, it is the intention of the City that all enterprise obligations be paid from operating income. The note liability is reflected in the funds which received the proceeds. The notes were issued at a premium of \$49,870.

Note 17 – Conduit Debt

The City of Kent is party to certain Conduit Debt Obligations:

<u>Type</u>	<u>On Behalf of</u>	<u>Principal Outstanding December 31, 2004</u>	<u>Year Issued</u>
Multi-Family Housing Revenue Bonds	Silver Meadows Apartments	<u>\$9,730,000</u>	1999

Although conduit debt obligations bear the name of the City of Kent, the City has no responsibility for principal and interest payments on these issues.

Note 18 - Contingent Liabilities

There are several lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Note 19 - Jointly Governed Organization

Northeast Ohio Public Energy Council The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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Combining Statements and Individual Fund Schedules

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

Special Revenue funds are established to account for the proceeds of specific revenue sources (other than special assessments or those for major capital projects) that are restricted by law or administrative action to expenditures for specific purposes. A description of the City's special revenue funds follows:

West Side Fire Fund - This fund accounts for the revenue from property taxes levied and expenditures relative to operation of the West Side fire station.

State Highway Fund - This fund accounts for a percentage of the revenue from the City's share of State gasoline taxes and vehicle registration fees. State law requires that these taxes be used for maintenance of state highways.

Parks and Recreation Fund - This fund accounts for the revenue from property taxes levied and the expenditures relative to operation and maintenance of the parks and recreation programs. Additional financing is provided by user charges.

Food Service Fund - This fund accounts for the revenue from food service permits and the expenditures relative to the operation of a food service inspection program.

License Tax Fund - This fund accounts for the revenue received from municipal motor vehicle taxes.

Revolving Housing Fund - This fund accounts for the revenue received from housing inspections and the expenditures relative to the operation of the housing inspection program.

State and Local Forfeits Fund - This fund accounts for the revenue received from state and local law enforcement agencies due to the City's participation in an arrest and property seizure. State law requires that these monies be used for criminal apprehension purposes.

Drug Law Enforcement Fund - This fund accounts for the revenue received from mandatory drug fines as the result of felony drug convictions. State law requires that these monies be used for drug-related law enforcement activities.

Enforcement and Education Fund - This fund accounts for the revenue received from fines as the result of convictions of operating a motor vehicle while under the influence. State law requires that these monies be used to enforce such laws or to educate the public about such laws.

Law Enforcement Trust Fund - This fund accounts for the revenue received from federal law enforcement agencies due to the City's participation in an arrest and property seizure. State law requires that these monies be used for criminal apprehension purposes.

Community Development Block Grant Fund - This fund accounts for the revenue from the federal government and expenditures as prescribed under the Community Development Block Grant and the Comprehensive Housing Improvement Program.

(continued)

Nonmajor Special Revenue Funds (continued)

Swimming Pool Inspections Fund - This fund accounts for the revenue received from swimming pool inspections and the expenditures relative to the operation of the swimming pool inspection program.

Police Pension Fund - This fund accounts for the revenue from property taxes levied for the partial payment of the current liability for police disability and pension.

Fire Pension Fund - This fund accounts for the revenue from property taxes levied for the partial payment of the current liability for fire disability and pension.

Urban Development Action Grant Fund - This fund accounts for the revenue received from federal government, Community Development loans and expenditures relative to the operation of this program.

Nonmajor Debt Service Fund

The Debt Service Fund is established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

City of Kent, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,258,958	\$44,130	\$2,303,088
Receivables:			
Property Taxes Receivable	1,424,144	0	1,424,144
Loans Receivable	471,631	0	471,631
Other Receivable	9,018	0	9,018
Special Assessment Receivable	0	904,541	904,541
Receivables, Net	<u>1,904,793</u>	<u>904,541</u>	<u>2,809,334</u>
Due from Other Governments	338,407	0	338,407
Prepaid Items	2,267	0	2,267
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>120,000</u>	<u>50</u>	<u>120,050</u>
<i>Total Assets</i>	<u><u>\$4,624,425</u></u>	<u><u>\$948,721</u></u>	<u><u>\$5,573,146</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$78,004	\$0	\$78,004
Capital Contracts Payable	12,130	0	12,130
Accrued Wages and Benefits	312,824	0	312,824
Due to Other Funds	200,000	0	200,000
Due to Other Governments	1,635	0	1,635
Deferred Revenue	1,581,041	904,541	2,485,582
Payable from Restricted Asset	<u>0</u>	<u>50</u>	<u>50</u>
<i>Total Liabilities</i>	<u>2,185,634</u>	<u>904,591</u>	<u>3,090,225</u>
Fund Balances			
Reserved for Encumbrances	346,289	0	346,289
Reserved for Loans Receivable	471,631	0	471,631
Reserved for Prepays	2,267	0	2,267
Reserved for Debt Service	0	44,130	44,130
Unreserved, Undesignated			
Reported in:			
Special Revenue Funds	<u>1,618,604</u>	<u>0</u>	<u>1,618,604</u>
<i>Total Fund Balances</i>	<u>2,438,791</u>	<u>44,130</u>	<u>2,482,921</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$4,624,425</u></u>	<u><u>\$948,721</u></u>	<u><u>\$5,573,146</u></u>

City of Kent, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Property and Other Local Taxes	\$1,471,132	\$0	\$1,471,132
Charges for Services	316,347	0	316,347
Fees, Licenses and Permits	137,846	0	137,846
Fines and Forfeitures	70,400	0	70,400
Intergovernmental	904,356	0	904,356
Special Assessments	0	76,056	76,056
Interest	49,419	0	49,419
Miscellaneous	168,487	3,230	171,717
<i>Total Revenues</i>	<u>3,117,987</u>	<u>79,286</u>	<u>3,197,273</u>
Expenditures			
Current:			
Security of Persons and Property	434,158	0	434,158
Public Health and Welfare	131,375	0	131,375
Leisure Time Activities	1,175,458	0	1,175,458
Community Development	734,347	0	734,347
Transportation	48,187	0	48,187
General Government	0	3,088	3,088
Capital Outlay	185,103	0	185,103
Debt Service:			
Principal Retirement	0	187,947	187,947
Interest and Fiscal Charges	0	160,145	160,145
<i>Total Expenditures</i>	<u>2,708,628</u>	<u>351,180</u>	<u>3,059,808</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>409,359</u>	<u>(271,894)</u>	<u>137,465</u>
Other Financing Sources (Uses)			
Transfers In	38,309	271,177	309,486
Transfers Out	(120,000)	0	(120,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(81,691)</u>	<u>271,177</u>	<u>189,486</u>
<i>Net Change in Fund Balances</i>	327,668	(717)	326,951
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,111,123</u>	<u>44,847</u>	<u>2,155,970</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,438,791</u></u>	<u><u>\$44,130</u></u>	<u><u>\$2,482,921</u></u>

City of Kent, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004

	West Side Fire	State Highway	Parks and Recreation	Food Service
Assets				
Equity in Pooled Cash and Cash Equivalents	\$13,855	\$21,586	\$757,498	\$13,644
Receivables:				
Property Taxes Receivable	232,452	0	984,264	0
Loans Receivable	0	0	0	0
Other Receivable	0	0	7,721	0
Receivables, Net	<u>232,452</u>	<u>0</u>	<u>991,985</u>	<u>0</u>
Due from Other Governments	11,938	40,960	52,234	0
Prepaid Items	35	0	2,101	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$258,280</u></u>	<u><u>\$62,546</u></u>	<u><u>\$1,803,818</u></u>	<u><u>\$13,644</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$826	\$2,680	\$9,012	\$0
Capital Contracts Payable	0	0	6,340	0
Accrued Wages and Benefits	0	0	13,744	0
Due to Other Funds	0	0	0	0
Due to Other Governments	0	0	1,635	0
Deferred Revenue	<u>244,390</u>	<u>27,307</u>	<u>1,038,680</u>	<u>0</u>
<i>Total Liabilities</i>	<u>245,216</u>	<u>29,987</u>	<u>1,069,411</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	108	812	17,233	9
Reserved for Loans Receivable	0	0	0	0
Reserved for Prepays	35	0	2,101	0
Unreserved, Undesignated	<u>12,921</u>	<u>31,747</u>	<u>715,073</u>	<u>13,635</u>
<i>Total Fund Balances</i>	<u>13,064</u>	<u>32,559</u>	<u>734,407</u>	<u>13,644</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$258,280</u></u>	<u><u>\$62,546</u></u>	<u><u>\$1,803,818</u></u>	<u><u>\$13,644</u></u>

License Tax	Revolving Housing	State and Local Forfeits	Drug Law Enforcement	Enforcement and Education	Law Enforcement Trust	Community Development Block Grant	Swimming Pool Inspections
\$8,836	\$47,593	\$9,928	\$13,836	\$16,452	\$80,643	\$890,037	\$2,939
0	0	0	0	0	0	0	0
0	0	0	0	0	0	258,517	0
0	0	0	225	753	0	0	0
0	0	0	225	753	0	258,517	0
73,524	0	0	0	0	0	148,251	0
0	0	0	0	0	0	131	0
0	0	0	0	0	0	0	0
<u>\$82,360</u>	<u>\$47,593</u>	<u>\$9,928</u>	<u>\$14,061</u>	<u>\$17,205</u>	<u>\$80,643</u>	<u>\$1,296,936</u>	<u>\$2,939</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$65,486	\$0
0	0	0	0	5,790	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	200,000	0
0	0	0	0	0	0	0	0
51,736	0	0	0	0	0	0	0
51,736	0	0	0	5,790	0	265,486	0
0	369	1,287	0	0	0	288,933	0
0	0	0	0	0	0	258,517	0
0	0	0	0	0	0	131	0
30,624	47,224	8,641	14,061	11,415	80,643	483,869	2,939
30,624	47,593	9,928	14,061	11,415	80,643	1,031,450	2,939
<u>\$82,360</u>	<u>\$47,593</u>	<u>\$9,928</u>	<u>\$14,061</u>	<u>\$17,205</u>	<u>\$80,643</u>	<u>\$1,296,936</u>	<u>\$2,939</u>

(continued)

City of Kent, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2004

	Police Pension	Fire Pension	Urban Development Action Grant	Total Nonmajor Special Revenue Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$162,068	\$145,159	\$74,884	\$2,258,958
Receivables:				
Property Taxes Receivable	103,714	103,714	0	1,424,144
Loans Receivable	0	0	213,114	471,631
Other Receivable	0	0	319	9,018
Receivables, Net	<u>103,714</u>	<u>103,714</u>	<u>213,433</u>	<u>1,904,793</u>
Due from Other Governments	5,561	5,939	0	338,407
Prepaid Items	0	0	0	2,267
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>0</u>	<u>0</u>	<u>120,000</u>	<u>120,000</u>
<i>Total Assets</i>	<u><u>\$271,343</u></u>	<u><u>\$254,812</u></u>	<u><u>\$408,317</u></u>	<u><u>\$4,624,425</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$78,004
Capital Contracts Payable	0	0	0	12,130
Accrued Wages and Benefits	157,819	141,261	0	312,824
Due to Other Funds	0	0	0	200,000
Due to Other Governments	0	0	0	1,635
Deferred Revenue	<u>109,275</u>	<u>109,653</u>	<u>0</u>	<u>1,581,041</u>
<i>Total Liabilities</i>	<u>267,094</u>	<u>250,914</u>	<u>0</u>	<u>2,185,634</u>
Fund Balances				
Reserved for Encumbrances	19,433	18,105	0	346,289
Reserved for Loans Receivable	0	0	213,114	471,631
Reserved for Prepays	0	0	0	2,267
Unreserved, Undesignated	<u>(15,184)</u>	<u>(14,207)</u>	<u>195,203</u>	<u>1,618,604</u>
<i>Total Fund Balances</i>	<u>4,249</u>	<u>3,898</u>	<u>408,317</u>	<u>2,438,791</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$271,343</u></u>	<u><u>\$254,812</u></u>	<u><u>\$408,317</u></u>	<u><u>\$4,624,425</u></u>

City of Kent, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004

	West Side Fire	State Highway	Parks and Recreation	Food Service
Revenues				
Property and Other Local Taxes	\$219,087	\$0	\$928,398	\$0
Charges for Services	0	0	316,347	0
Fees, Licenses and Permits	0	0	19,374	47,364
Fines and Forfeitures	0	0	0	0
Intergovernmental	24,268	59,462	113,633	0
Interest	0	0	0	0
Miscellaneous	0	0	27,112	0
<i>Total Revenues</i>	<u>243,355</u>	<u>59,462</u>	<u>1,404,864</u>	<u>47,364</u>
Expenditures				
Current:				
Security of Persons and Property	229,996	0	0	0
Public Health and Welfare	0	0	0	56,366
Leisure Time Activities	0	0	1,175,458	0
Community Development	0	0	0	0
Transportation	0	48,187	0	0
Capital Outlay	12,017	0	142,186	0
<i>Total Expenditures</i>	<u>242,013</u>	<u>48,187</u>	<u>1,317,644</u>	<u>56,366</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,342</u>	<u>11,275</u>	<u>87,220</u>	<u>(9,002)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	31,309	5,000
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>31,309</u>	<u>5,000</u>
<i>Net Change in Fund Balances</i>	1,342	11,275	118,529	(4,002)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>11,722</u>	<u>21,284</u>	<u>615,878</u>	<u>17,646</u>
<i>Fund Balances End of Year</i>	<u><u>\$13,064</u></u>	<u><u>\$32,559</u></u>	<u><u>\$734,407</u></u>	<u><u>\$13,644</u></u>

(continued)

City of Kent, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2004

	License Tax	Revolving Housing	State and Local Forfeits	Drug Law Enforcement
Revenues				
Property and Other Local Taxes	\$128,561	\$0	\$0	\$0
Charges for Services	0	0	0	0
Fees, Licenses and Permits	0	69,233	0	0
Fines and Forfeitures	0	0	24,894	2,324
Intergovernmental	3,924	0	0	0
Interest	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>132,485</u>	<u>69,233</u>	<u>24,894</u>	<u>2,324</u>
Expenditures				
Current:				
Security of Persons and Property	0	0	10	375
Public Health and Welfare	0	71,507	0	0
Leisure Time Activities	0	0	0	0
Community Development	0	0	0	0
Transportation	0	0	0	0
Capital Outlay	0	0	22,000	0
<i>Total Expenditures</i>	<u>0</u>	<u>71,507</u>	<u>22,010</u>	<u>375</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>132,485</u>	<u>(2,274)</u>	<u>2,884</u>	<u>1,949</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(120,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(120,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	12,485	(2,274)	2,884	1,949
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>18,139</u>	<u>49,867</u>	<u>7,044</u>	<u>12,112</u>
<i>Fund Balances End of Year</i>	<u><u>\$30,624</u></u>	<u><u>\$47,593</u></u>	<u><u>\$9,928</u></u>	<u><u>\$14,061</u></u>

Enforcement and Education	Law Enforcement Trust	Community Development Block Grant	Swimming Pool Inspections	Police Pension	Fire Pension	Urban Development Action Grant	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$97,543	\$97,543	\$0	\$1,471,132
0	0	0	0	0	0	0	316,347
0	0	0	1,875	0	0	0	137,846
6,502	36,680	0	0	0	0	0	70,400
0	0	681,189	0	10,940	10,940	0	904,356
0	742	41,737	0	0	0	6,940	49,419
0	0	141,375	0	0	0	0	168,487
6,502	37,422	864,301	1,875	108,483	108,483	6,940	3,117,987
2,205	0	0	0	100,850	100,722	0	434,158
0	0	0	3,502	0	0	0	131,375
0	0	0	0	0	0	0	1,175,458
0	0	734,347	0	0	0	0	734,347
0	0	0	0	0	0	0	48,187
5,790	3,110	0	0	0	0	0	185,103
7,995	3,110	734,347	3,502	100,850	100,722	0	2,708,628
(1,493)	34,312	129,954	(1,627)	7,633	7,761	6,940	409,359
0	0	0	2,000	0	0	0	38,309
0	0	0	0	0	0	0	(120,000)
0	0	0	2,000	0	0	0	(81,691)
(1,493)	34,312	129,954	373	7,633	7,761	6,940	327,668
12,908	46,331	901,496	2,566	(3,384)	(3,863)	401,377	2,111,123
\$11,415	\$80,643	\$1,031,450	\$2,939	\$4,249	\$3,898	\$408,317	\$2,438,791

Combining Statements

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equals liabilities) and thus do not involve measurement of results of operations.

Agency Funds

Agency Escrow Fund – This fund holds in trust those funds held by the City and received from a contractor, developer, or individual to insure compliance with the ordinances of the City of Kent.

City of Kent, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Escrow Fund
For the Year Ended December 31, 2004

	Beginning Balance 12/31/03	Additions	Deductions	Ending Balance 12/31/04
Assets				
Cash and Cash Equivalents	\$398,108	\$197,347	\$173,615	\$421,840
Liabilities				
Accounts Payable	\$398,108	\$197,347	\$173,615	\$421,840

**Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Equity – Budget (Non-GAAP Basis) and Actual**

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Capital Projects Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Special Assessments	\$66,721	\$6,100	\$6,433	\$333
Miscellaneous	109,379	10,000	39,412	29,412
Total Revenues	176,100	16,100	45,845	29,745
Expenditures				
Capital Outlays	1,615,000	2,542,000	2,488,094	53,906
Debt Service:				
Principal Retirement	4,405,000	4,405,000	4,405,000	0
Interest and Fiscal Charges	90,000	90,000	66,868	23,132
Total Expenditures	6,110,000	7,037,000	6,959,962	77,038
Excess of Revenues Under Expenditures	(5,933,900)	(7,020,900)	(6,914,117)	106,783
Other Financing Sources				
Proceeds from Sale of Notes	4,170,000	4,170,000	4,170,000	0
Premium on Notes	0	0	26,730	26,730
Transfers In	1,500,000	1,500,000	1,500,000	0
Net Other Financing Sources	5,670,000	5,670,000	5,696,730	26,730
Net Change in Fund Balance	(263,900)	(1,350,900)	(1,217,387)	133,513
Recovery of Prior Year Encumbrances	0	0	10,943	10,943
Fund Balance Beginning of Year	2,069,015	2,069,015	2,069,015	0
Fund Balance End of Year	\$1,805,115	\$718,115	\$862,571	\$144,456

CITY OF KENT, OHIO

*Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$2,853,873	\$2,850,000	\$2,714,913	(\$135,087)
Interest	45,061	45,000	29,045	(15,955)
Intergovernmental	0	0	3,603	3,603
Special Assessments	14,820	14,800	71,288	56,488
Miscellaneous	34,046	34,000	27,872	(6,128)
Total Revenues	2,947,800	2,943,800	2,846,721	(97,079)
Expenses				
Current:				
Department of Public Services				
Personal Services	1,245,506	1,230,566	1,229,080	1,486
Benefits	392,395	445,025	441,058	3,967
Utilities	150,000	195,875	195,870	5
Contractual Services	261,050	204,528	185,626	18,902
Materials and Supplies	276,950	294,733	292,800	1,933
Other	18,850	19,550	17,585	1,965
Capital Outlay	551,250	1,267,486	975,975	291,511
Debt Service:				
Principal Retirement	0	18,240	18,226	14
Interest and Fiscal Charges	0	19,010	19,006	4
Total Expenses	2,896,001	3,695,013	3,375,226	319,787
Excess of Revenues Over (Under) Expenses	51,799	(751,213)	(528,505)	222,708
Proceeds from Sale of Capital Asset	0	0	57,050	57,050
Proceeds from Loan	0	20,112	20,112	0
Capital Contributions - Tap-in-Fees	50,000	50,000	107,091	57,091
Net Change in Fund Equity	101,799	(681,101)	(344,252)	336,849
Recovery of Prior Year Encumbrances	0	0	87,892	87,892
Fund Equity Beginning of Year	1,608,654	1,608,654	1,608,654	0
Fund Equity End of Year	\$1,710,453	\$927,553	\$1,352,294	\$424,741

CITY OF KENT, OHIO

*Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$1,312,980	\$3,440,000	\$3,559,158	\$119,158
Interest	17,176	45,000	43,803	(1,197)
Intergovernmental	952,531	2,495,626	2,502,233	6,607
Special Assessments	7,824	20,500	41,795	21,295
Miscellaneous	6,489	17,000	10,190	(6,810)
Total Revenues	2,297,000	6,018,126	6,157,179	139,053
Expenses				
Current:				
Department of Public Services				
Personal Services	1,372,623	1,450,159	1,449,928	231
Benefits	432,589	530,876	530,306	570
Utilities	212,510	268,340	268,337	3
Contractual Services	332,273	337,667	285,121	52,546
Materials and Supplies	200,822	215,119	200,165	14,954
Other	20,590	30,055	28,453	1,602
Capital Outlay	466,273	6,022,664	5,983,294	39,370
Debt Service:				
Principal Retirement	2,910,000	2,910,000	2,910,000	0
Interest and Fiscal Charges	55,000	43,000	42,195	805
Total Expenses	6,002,680	11,807,880	11,697,799	110,081
Excess of Revenues Under Expenses	(3,705,680)	(5,789,754)	(5,540,620)	249,134
Proceeds from Sale of Notes	3,610,000	3,610,000	3,610,000	0
Premium on Note	25,000	25,000	23,140	(1,860)
Proceeds from Loan	0	1,662,370	1,663,857	1,487
Capital Contributions - Tap-in-Fees	70,000	70,000	156,183	86,183
Net Change in Fund Equity	(680)	(422,384)	(87,440)	334,944
Recovery of Prior Year Encumbrances	0	0	35,385	35,385
Fund Equity Beginning of Year	998,549	998,549	998,549	0
Fund Equity End of Year	\$997,869	\$576,165	\$946,494	\$370,329

CITY OF KENT, OHIO

*Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Solid Waste Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$390,685	\$353,500	\$367,844	\$14,344
Intergovernmental	13,815	12,500	12,500	0
Total Revenues	404,500	366,000	380,344	14,344
Expenses				
Current:				
Department of Public Services				
Personal Services	40,500	40,500	39,167	1,333
Benefits	12,788	15,988	15,419	569
Contractual Services	377,300	375,100	314,496	60,604
Materials and Supplies	4,800	3,800	1,337	2,463
Other	2,700	2,700	385	2,315
Total Expenses	438,088	438,088	370,804	67,284
Net Change in Fund Equity	(33,588)	(72,088)	9,540	81,628
Recovery of Prior Year Encumbrances	0	0	1,364	1,364
Fund Equity Beginning of Year	217,638	217,638	217,638	0
Fund Equity End of Year	\$184,050	\$145,550	\$228,542	\$82,992

CITY OF KENT, OHIO

*Schedule of Revenues, Expenses and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Storm Water Drainage Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$509,951	\$490,000	\$553,230	\$63,230
Interest	0	0	19,964	19,964
Special Assessments	1,249	1,200	1,185	(15)
Total Revenues	<u>511,200</u>	<u>491,200</u>	<u>574,379</u>	<u>83,179</u>
Expenses				
Current:				
Department of Public Services				
Contractual Services	32,200	64,672	56,857	7,815
Other	0	1,088	1,084	4
Capital Outlay	632,800	599,240	326,431	272,809
Debt Service:				
Interest and Fiscal Charges	2,500	2,500	0	2,500
Total Expenses	<u>667,500</u>	<u>667,500</u>	<u>384,372</u>	<u>283,128</u>
Excess of Revenues Over (Under) Expenses	(156,300)	(176,300)	190,007	366,307
Transfers in	200,000	200,000	200,000	0
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
Net Change in Fund Equity	13,700	(6,300)	360,007	366,307
Recovery of Prior Year Encumbrances	0	0	4,828	4,828
Fund Equity Beginning of Year	<u>1,106,902</u>	<u>1,106,902</u>	<u>1,106,902</u>	<u>0</u>
Fund Equity End of Year	<u>\$1,120,602</u>	<u>\$1,100,602</u>	<u>\$1,471,737</u>	<u>\$371,135</u>

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
West Side Fire Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$210,264	\$215,087	\$220,606	\$5,519
Intergovernmental	22,777	23,300	24,268	968
Total Revenues	233,041	238,387	244,874	6,487
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	225,000	227,983	227,284	699
Capital Outlays	15,000	12,017	12,017	0
Total Expenditures	240,000	240,000	239,301	699
Net Change in Fund Balance	(6,959)	(1,613)	5,573	7,186
Fund Balance Beginning of Year	8,098	8,098	8,098	0
Fund Balance End of Year	\$1,139	\$6,485	\$13,671	\$7,186

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$46,000	\$46,000	\$53,129	\$7,129
Expenditures				
Current:				
Transportation				
Department of Public Services	49,000	49,051	48,999	52
Net Change in Fund Balance	(3,000)	(3,051)	4,130	7,181
Recovery of Prior Year Encumbrances	0	0	51	51
Fund Balance Beginning of Year	13,913	13,913	13,913	0
Fund Balance End of Year	\$10,913	\$10,862	\$18,094	\$7,232

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Parks and Recreation Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$793,311	\$927,976	\$935,578	\$7,602
Fees, Licenses and Permits	12,823	15,000	19,374	4,374
Intergovernmental	87,198	102,000	114,802	12,802
Charges for Services	266,125	311,300	323,527	12,227
Miscellaneous	17,525	20,500	25,762	5,262
Total Revenues	1,176,982	1,376,776	1,419,043	42,267
Expenditures				
Current:				
Leisure Time Activities				
Department of Parks and Recreation	1,090,361	1,245,289	1,205,492	39,797
Capital Outlays	163,387	143,459	142,186	1,273
Total Expenditures	1,253,748	1,388,748	1,347,678	41,070
Excess of Revenues Over (Under) Expenditures	(76,766)	(11,972)	71,365	83,337
Other Financing Sources				
Transfers in	31,309	31,309	31,309	0
Net Change in Fund Balance	(45,457)	19,337	102,674	83,337
Recovery of Prior Year Encumbrances	0	0	36,726	36,726
Fund Balance Beginning of Year	581,607	581,607	581,607	0
Fund Balance End of Year	\$536,150	\$600,944	\$721,007	\$120,063

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fees, Licenses and Permits	\$39,000	\$39,000	\$47,381	\$8,381
Expenditures				
Current:				
Public Health and Welfare				
Department of Health	56,149	58,149	56,374	1,775
Excess of Revenues Under Expenditures	(17,149)	(19,149)	(8,993)	10,156
Other Financing Sources				
Transfers In	5,000	5,000	5,000	0
Net Change in Fund Balance	(12,149)	(14,149)	(3,993)	10,156
Recovery of Prior Year Encumbrances	0	0	36	36
Fund Balance Beginning of Year	17,592	17,592	17,592	0
Fund Balance End of Year	\$5,443	\$3,443	\$13,635	\$10,192

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
License Tax Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$140,000	\$124,800	\$128,561	\$3,761
Expenditures	0	0	0	0
Excess of Revenues Over Expenditures	140,000	124,800	128,561	3,761
Other Financing Uses				
Transfers Out	(150,000)	(120,000)	(120,000)	0
Net Change in Fund Balance	(10,000)	4,800	8,561	3,761
Fund Balance Beginning of Year	275	275	275	0
Fund Balance (Deficit) End of Year	<u>(\$9,725)</u>	<u>\$5,075</u>	<u>\$8,836</u>	<u>\$3,761</u>

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Revolving Housing Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fees, Licenses and Permits	\$60,000	\$60,000	\$69,475	\$9,475
Expenditures				
Current:				
Public Health and Welfare				
Department of Health	80,223	80,223	71,516	8,707
Net Change in Fund Balance	(20,223)	(20,223)	(2,041)	18,182
Recovery of Prior Year Encumbrances	0	0	45	45
Fund Balance Beginning of Year	49,220	49,220	49,220	0
Fund Balance End of Year	\$28,997	\$28,997	\$47,224	\$18,227

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
State and Local Forfeits Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$7,500	\$2,500	\$24,894	\$22,394
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	15,000	9,500	1,297	8,203
Capital Outlays	0	0	22,000	(22,000)
Total Expenditures	15,000	9,500	23,297	(13,797)
Net Change in Fund Balance	(7,500)	(7,000)	1,597	8,597
Fund Balance Beginning of Year	7,044	7,044	7,044	0
Fund Balance (Deficit) End of Year	(\$456)	\$44	\$8,641	\$8,597

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Drug Law Enforcement Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$5,000	\$2,000	\$2,499	\$499
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	10,500	10,500	375	10,125
Net Change in Fund Balance	(5,500)	(8,500)	2,124	10,624
Fund Balance Beginning of Year	11,712	11,712	11,712	0
Fund Balance End of Year	\$6,212	\$3,212	\$13,836	\$10,624

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$5,000	\$5,000	\$6,121	\$1,121
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	13,000	13,000	2,205	10,795
Net Change in Fund Balance	(8,000)	(8,000)	3,916	11,916
Fund Balance Beginning of Year	12,536	12,536	12,536	0
Fund Balance End of Year	\$4,536	\$4,536	\$16,452	\$11,916

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Law Enforcement Trust Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$50,000	\$36,500	\$36,680	\$180
Interest	0	0	742	742
Total Revenues	50,000	36,500	37,422	922
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	50,000	46,890	0	46,890
Capital Outlays	0	3,110	3,110	0
Total Expenditures	50,000	50,000	3,110	46,890
Net Change in Fund Balance	0	(13,500)	34,312	47,812
Fund Balance Beginning of Year	46,331	46,331	46,331	0
Fund Balance End of Year	\$46,331	\$32,831	\$80,643	\$47,812

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Community Development Block Grant Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$280,527	\$584,000	\$586,417	\$2,417
Interest	14,411	30,000	41,737	11,737
Miscellaneous	84,062	175,000	175,481	481
Total Revenues	<u>379,000</u>	<u>789,000</u>	<u>803,635</u>	<u>14,635</u>
Expenditures				
Current:				
Community Development				
Department of Community Development	<u>379,000</u>	<u>840,996</u>	<u>840,963</u>	<u>33</u>
Net Change in Fund Balance	0	(51,996)	(37,328)	14,668
Recovery of Prior Year Encumbrances	0	0	2,425	2,425
Fund Balance Beginning of Year	<u>569,906</u>	<u>569,906</u>	<u>569,906</u>	<u>0</u>
Fund Balance End of Year	<u>\$569,906</u>	<u>\$517,910</u>	<u>\$535,003</u>	<u>\$17,093</u>

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Swimming Pool Inspections Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fees, Licenses and Permits	\$2,000	\$1,800	\$1,875	\$75
Expenditures				
Current:				
Public Health and Welfare				
Department of Health	5,186	5,195	3,502	1,693
Excess of Revenues Under Expenditures	(3,186)	(3,395)	(1,627)	1,768
Other Financing Sources				
Transfers in	2,000	2,000	2,000	0
Net Change in Fund Balance	(1,186)	(1,395)	373	1,768
Recovery of Prior Year Encumbrances	0	0	9	9
Fund Balance Beginning of Year	2,557	2,557	2,557	0
Fund Balance End of Year	\$1,371	\$1,162	\$2,939	\$1,777

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$87,247	\$96,889	\$98,191	\$1,302
Intergovernmental	8,600	9,550	10,940	1,390
Total Revenues	95,847	106,439	109,131	2,692
Expenditures				
Current:				
Security of Persons and Property				
Department of Pubic Safety	96,000	96,000	96,000	0
Net Change in Fund Balance	(153)	10,439	13,131	2,692
Fund Balance Beginning of Year	440	440	440	0
Fund Balance End of Year	\$287	\$10,879	\$13,571	\$2,692

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Fire Pension Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$87,247	\$96,889	\$98,191	\$1,302
Intergovernmental	8,600	9,550	10,940	1,390
Total Revenues	95,847	106,439	109,131	2,692
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	96,000	96,000	96,000	0
Net Change in Fund Balance	(153)	10,439	13,131	2,692
Fund Balance Beginning of Year	440	440	440	0
Fund Balance End of Year	\$287	\$10,879	\$13,571	\$2,692

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Urban Development Action Grant Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Interest	\$2,000	\$2,000	\$6,621	\$4,621
Miscellaneous	0	0	19,064	19,064
Total Revenues	2,000	2,000	25,685	23,685
Expenditures				
Current:				
Community Development				
Department of Community Development	2,000	2,485	0	2,485
Net Change in Fund Balance	0	(485)	25,685	26,170
Recovery of Prior Year Encumbrances	0	0	485	485
Fund Balance Beginning of Year	48,714	48,714	48,714	0
Fund Balance End of Year	\$48,714	\$48,229	\$74,884	\$26,655

CITY OF KENT, OHIO

*Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Debt Service Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Special Assessments	\$77,700	\$77,700	\$79,286	\$1,586
Expenditures				
Current:				
General Government				
Department of Budget and Finance	4,000	4,000	3,088	912
Debt Service:				
Principal Retirement	187,947	187,947	187,947	0
Interest and Fiscal Charges	160,145	160,145	160,145	0
Total Expenditures	352,092	352,092	351,180	912
Excess of Revenues Under Expenditures	(274,392)	(274,392)	(271,894)	2,498
Other Financing Sources				
Transfers In	271,177	271,177	271,177	0
Net Change in Fund Balance	(3,215)	(3,215)	(717)	2,498
Fund Balance Beginning of Year	44,847	44,847	44,847	0
Fund Balance End of Year	\$41,632	\$41,632	\$44,130	\$2,498

City of Kent, Ohio
*Governmental Activities Revenues by Source
and Expenses by Function (1)*
Last Two Years

	<u>2004</u>	<u>2003</u>
Program Revenues		
Charges for Services	\$1,962,034	\$1,545,509
Operating Grants and Contributions	1,827,953	1,462,410
Capital Grants and Contributions	898,967	2,074,706
General Revenues		
Property and Other Local Taxes	3,050,733	2,907,923
Income Taxes	9,705,339	9,743,877
Intergovernmental	2,173,408	2,642,496
Interest	354,751	371,548
Gain on Sale of Capital Assets	26,173	0
Miscellaneous	261,338	437,711
Total	<u>\$20,260,696</u>	<u>\$21,186,180</u>
Expenses		
Security of Persons and Property	\$9,075,391	\$8,476,702
Public Health and Welfare	561,554	520,613
Leisure Time Activities	1,242,072	1,116,664
Community Development	1,959,483	1,965,417
Transportation	1,958,035	1,855,622
General Government	2,825,076	2,642,924
Interest and Fiscal Charges	242,475	256,440
Total	<u>\$17,864,086</u>	<u>\$16,834,382</u>

Source: City financial records

(1) Full accrual basis

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City of Kent, Ohio
*General Governmental Revenues by Source
and Expenditures by Function (1)*
Last Ten Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Taxes (2)	\$12,751,371	\$12,622,036	\$12,335,994	\$12,036,231
Charges for Services	1,239,502	988,417	849,472	755,909
Fees, Licenses and Permits	349,356	241,387	293,606	300,552
Fines and Forfeitures	373,176	315,705	339,937	352,319
Intergovernmental	4,759,878	4,145,984	4,457,224	3,671,672
Special Assessments	163,005	166,775	166,417	209,485
Interest	311,813	319,078	432,931	931,920
Miscellaneous	261,338	407,711	485,468	345,495
Total	<u>\$20,209,439</u>	<u>\$19,207,093</u>	<u>\$19,361,049</u>	<u>\$18,603,583</u>
Expenditures				
Current:				
Security of Persons and Property	\$8,566,950	\$7,977,881	\$7,801,668	\$7,328,137
Public Health and Welfare	557,405	520,443	517,827	466,178
Leisure Time Activities	1,175,458	979,959	955,279	863,226
Community Development	1,924,022	1,946,318	2,102,383	2,098,614
Transportation	1,455,517	1,424,857	1,365,439	1,251,158
General Government	2,659,253	2,424,777	2,616,445	2,880,775
Capital Outlay	3,732,130	2,264,048	4,382,589	2,835,200
Debt Service	430,871	439,480	460,816	508,447
Total	<u>\$20,501,606</u>	<u>\$17,977,763</u>	<u>\$20,202,446</u>	<u>\$18,231,735</u>

Source: City financial records

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds. Modified accrual basis.

(2) Includes All Taxes

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$11,454,325	\$11,224,208	\$11,096,845	\$10,265,609	\$9,937,708	\$9,563,804
840,692	636,896	591,432	566,867	555,781	554,722
152,496	314,955	248,234	228,748	172,204	215,398
363,619	373,008	472,835	299,169	359,628	448,483
3,707,016	3,430,043	3,540,752	3,752,674	3,782,230	3,008,709
159,746	298,228	131,322	168,743	177,847	168,473
941,332	698,951	679,171	553,740	500,984	519,978
407,801	175,517	374,474	208,339	376,652	968,050
<u>\$18,027,027</u>	<u>\$17,151,806</u>	<u>\$17,135,065</u>	<u>\$16,043,889</u>	<u>\$15,863,034</u>	<u>\$15,447,617</u>
\$7,197,719	\$6,927,110	\$6,522,907	\$6,181,814	\$5,834,900	\$5,618,153
421,649	421,313	415,147	384,446	379,258	362,258
827,170	829,725	869,507	843,018	799,162	670,684
1,832,505	1,331,444	1,633,099	1,596,340	1,604,129	1,392,519
1,432,219	1,147,096	1,161,164	1,257,393	1,183,541	1,162,392
2,675,061	2,524,234	2,562,947	2,358,076	2,587,758	2,506,238
2,837,314	2,065,938	4,032,289	2,073,682	4,922,511	2,937,126
896,429	339,211	368,799	201,704	159,878	168,025
<u>\$18,120,066</u>	<u>\$15,586,071</u>	<u>\$17,565,859</u>	<u>\$14,896,473</u>	<u>\$17,471,137</u>	<u>\$14,817,395</u>

City of Kent, Ohio
Property Tax Levies and Collections
Last Ten Years

<u>Collection Year</u>	<u>Current Tax Levy</u>	<u>Current Tax Collection</u>	<u>Current Collections as a Percent of Current Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections (2)</u>	<u>Total Collections As a Percent of Current Tax Levy</u>
1995	\$1,655,061	N/A (1)	N/A (1)	N/A (1)	\$1,714,983	103.6 %
1996	1,666,273	N/A (1)	N/A (1)	N/A (1)	1,696,819	101.8
1997	1,864,376	N/A (1)	N/A (1)	N/A (1)	1,856,717	99.6
1998	1,993,259	N/A (1)	N/A (1)	N/A (1)	2,026,685	101.7
1999	2,013,482	1,944,504	96.6	59,863	2,004,367	99.5
2000	2,149,762	2,000,343	93.0	60,103	2,060,446	95.8
2001	2,458,410	2,401,347	97.7	62,949	2,464,296	100.2
2002	2,633,533	2,534,329	96.2	68,297	2,602,626	98.8
2003	2,822,825	2,757,875	97.7	77,216	2,835,091	100.4
2004	2,990,557	2,908,664	97.3	130,128	3,038,792	101.6

Source: Portage County, Ohio; County Auditor

- (1) Current and delinquent collection information was not separately available from Portage County Auditor records.
- (2) Total tax collections include penalties and interest collected on delinquent taxes, as well as amounts received for the State of Ohio for the homestead and rollback reduction.

Accumulated Outstanding Delinquent Taxes	Percent of Accumulated Delinquent Taxes to Total Current Tax Levy
\$81,366	4.9 %
84,167	5.1
109,149	5.9
92,780	4.7
125,743	6.3
110,384	5.1
148,243	6.0
159,168	6.1
166,525	5.9
193,662	6.5

City of Kent, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

<u>Tax Year/ Collection Year</u>	<u>Real Property</u>		<u>Public Utility Property</u>	
	<u>Assessed Value (1)</u>	<u>Estimated Actual Value (3)</u>	<u>Assessed Value (2)</u>	<u>Estimated Actual Value (3)</u>
1995/1996	\$186,723,210	\$533,494,886	\$14,172,320	\$16,104,909
1996/1997	188,992,523	539,978,637	13,661,270	15,524,170
1997/1998	215,205,680	614,873,371	13,265,220	15,074,114
1998/1999	218,165,746	623,330,703	12,787,660	14,531,432
1999/2000	222,384,732	635,384,949	12,732,900	14,469,205
2000/2001	264,062,473	754,464,209	10,593,570	12,038,148
2001/2002	268,375,313	766,786,609	9,942,640	11,298,455
2002/2003	272,993,108	779,980,309	10,123,850	11,504,375
2003/2004	306,982,572	877,093,063	9,808,000	11,145,455
2004/2005	311,309,187	889,454,820	9,594,610	10,902,966

Source: Portage County, Ohio; County Auditor

- (1) Other than public utility property
- (2) Real and tangible personal public utility property
- (3) This amount is calculated based on the following percentages:
 Real property is assessed at 35% of actual value.
 Public utility is assessed at 88% of actual value.
 Tangible personal is assessed at 25% of true value
 for capital assets and 23% of true value for inventory.

Tangible Personal Property		Total		
Assessed Value	Estimated Actual Value (3)	Assessed Value	Estimated Actual Value (3)	Ratio
\$35,158,058	\$140,632,232	\$236,053,588	\$690,232,027	34.20 %
37,194,204	148,776,816	239,847,997	704,279,623	34.06
39,816,452	159,265,808	268,287,352	789,213,293	33.99
39,435,714	157,742,856	270,389,120	795,604,991	33.99
39,539,156	158,156,624	274,656,788	808,010,778	33.99
42,056,737	168,226,948	316,712,780	934,729,305	33.88
42,935,640	171,742,560	321,253,593	949,827,624	33.82
36,373,796	145,495,184	319,490,754	936,979,868	34.10
38,007,178	152,028,712	354,797,750	1,040,267,230	34.11
37,133,989	148,535,956	358,037,786	1,048,893,742	34.13

City of Kent, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years

<u>Tax Year/ Collection Year</u>	<u>City</u>	<u>Portage County</u>	<u>Kent City School District</u>	<u>Total</u>
1995/1996	\$9.44	\$10.92	\$82.98	\$103.34
1996/1997	9.44	12.72	87.60	109.76
1997/1998	9.44	12.72	87.42	109.58
1998/1999	9.44	12.72	86.70	108.86
1999/2000	9.44	12.72	86.50	108.66
2000/2001	9.44	12.72	86.60	108.76
2001/2002	9.44	12.72	86.35	108.51
2002/2003	9.44	12.72	94.48	116.64
2003/2004	9.44	12.72	96.01	118.17
2004/2005	9.44	12.72	95.77	117.93

Source: Portage County, Ohio; County Auditor

City of Kent, Ohio
Special Assessment Billings and Collections
Last Ten Years

<u>Collection Year</u>	<u>Current</u>	<u>Delinquent (1)</u>	<u>Total Billed</u>	<u>Amount Collected</u>	<u>Percent of Total Collected</u>
1995	\$186,181	\$56,580	\$242,761	\$180,236	74.24 %
1996	181,807	71,311	253,118	180,884	71.46
1997	125,486	73,005	198,491	163,824	82.53
1998	135,878	26,790	162,668	139,897	86.00
1999	95,499	15,583	111,082	86,609	77.97
2000	193,485	19,755	213,240	195,797	91.82
2001	211,757	30,985	242,742	204,094	84.08
2002	205,789	40,106	245,895	189,528	77.08
2003	196,694	55,585	252,279	207,299	82.17
2004	206,839	47,931	254,770	217,666	85.44

Source: Portage County, Ohio; County Auditor

City of Kent, Ohio
*Ratio of Net General Obligation Bonded Debt to
 Assessed Value and Net Bonded Debt Per Capita
 Last Ten Years*

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Bonded Debt Payable from Enterprise Revenue</u>	<u>Net Debt Supported by Special Assessments</u>
1995	28,835	\$236,053,588	\$6,945,000	\$1,425	\$6,390,000	\$553,575
1996	28,835	239,847,997	6,390,000	13,342	5,955,000	421,658
1997	28,835	268,287,352	5,852,000	38,337	5,500,000	313,663
1998	28,835	270,389,120	8,269,000	33,291	5,010,000	225,709
1999	28,835	274,656,788	7,615,000	50,190	4,490,000	169,810
2000	27,906	316,712,780	7,487,000	39,166	3,945,000	697,834
2001	27,906	321,253,593	7,040,000	44,704	3,645,000	650,296
2002	27,906	319,490,754	3,254,000	40,116	0	623,884
2003	27,906	354,797,750	3,102,000	44,847	0	582,153
2004	27,906	358,037,786	2,944,000	44,130	0	544,870

Sources:

(1) U.S. Bureau of Census, Census of Population - Federal 1990 Census, Federal 2000 Census.

(2) Portage County, Ohio; County Auditor

<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$0	0.00 %	\$0.00
0	0.00	0.00
0	0.00	0.00
3,000,000	0.01	104.04
2,905,000	0.01	100.75
2,805,000	0.01	100.52
2,700,000	0.01	96.75
2,590,000	0.01	92.81
2,475,000	0.01	88.69
2,355,000	0.01	84.39

City of Kent, Ohio
Computation of Legal Debt Margin
December 31, 2004

Assessed Valuation		<u><u>\$358,037,786</u></u>
Debt Limit - 10.50% of Assessed Value		\$37,593,968
Debt Applicable to Limitation:		
General Obligation Bonds	\$2,355,000	
Special Assessment Bonds	589,000	
Governmental Funds' Notes	4,170,000	
Enterprise Funds' Notes	<u>3,610,000</u>	
Gross Indebtedness	<u>10,724,000</u>	
Less: Debt Outside Limitations		
Special Assessment Bonds	589,000	
Enterprise Funds' Notes	<u>3,610,000</u>	
Total Debt Outside Limitation	<u>4,199,000</u>	
Total Debt Applicable to Limitation - Within 10.50% Limitations		6,525,000
Less: Amount Available in Debt Service Fund		<u>(44,130)</u>
Legal Debt Margin Within 10.50% Limitations		<u><u>\$31,024,838</u></u>
Unvoted Debt Limitation - 5.50% of Assessed Valuation		\$19,692,078
Gross Indebtedness	\$10,724,000	
Less: Debt Outside Limitations	<u>4,199,000</u>	
Debt Within 5.50% Limitation		6,525,000
Less: Amount Available in Debt Service Fund		<u>(44,130)</u>
Unvoted Debt Margin Within 5.50% Limitations		<u><u>\$13,122,948</u></u>

Source: City Financial Records

City of Kent, Ohio

Computation of Direct and Overlapping General Obligation Bonded Debt

December 31, 2004

<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Kent</u>	<u>Amount Applicable to City of Kent</u>
<u>Direct:</u>			
City of Kent	<u>\$2,355,000</u>	100.00 %	<u>\$2,355,000</u>
<u>Overlapping:</u>			
Kent City Schools (2)	17,407,183	73.56	12,804,724
Portage County, Ohio (3)	<u>17,204,222</u>	11.56	<u>1,988,808</u>
Total Overlapping	<u>34,611,405</u>		<u>14,793,532</u>
Total	<u><u>\$36,966,405</u></u>		<u><u>\$17,148,532</u></u>

(1) Excluding general obligation bonds supported by enterprise operations and special assessments

(2) Source: Kent City Schools; Treasurer

(3) Source: Portage County, Ohio; County Auditor

City of Kent, Ohio
*Ratio of Annual Debt Service Expenditures for
 General Bonded Debt to General Government Expenditures
 Last Ten Years*

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Government Expenditures (2)</u>	<u>Ratio of Debt Service to Total General Government Expenditures (Percentage)</u>
1995	\$120,000	\$48,025	\$168,025	\$14,817,935	1.13 %
1996	120,000	39,878	159,878	17,471,137	0.92
1997	83,000	31,645	114,645	14,896,473	0.77
1998	93,000	120,701	213,701	17,565,859	1.22
1999	134,000	161,554	295,554	15,586,071	1.90
2000	144,000	155,299	299,299	18,120,066	1.65
2001	147,000	193,324	340,324	18,231,735	1.87
2002	141,000	173,980	314,980	20,202,446	1.56
2003	152,000	167,450	319,450	17,977,763	1.78
2004	158,000	160,145	318,145	20,501,606	1.55

(1) Excludes Enterprise Obligations, Includes Special Assessments

(2) Includes General, Special Revenue, Debt Service and Capital Project Funds
 Modified accrual basis

(3) Sources: City Financial Records

City of Kent, Ohio
Revenue Bond Coverage - Sewer Bonds
Last Ten Years

Year	Gross Revenue (1)	Total Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (Percentage)
				Principal	Interest	Total	
1995	\$3,341,390	\$2,160,064	\$1,181,326	\$215,000	\$328,983	\$543,983	2.17 %
1996	3,309,536	2,223,796	1,085,740	225,000	318,878	543,878	2.00
1997	3,271,850	2,155,379	1,116,471	235,000	307,740	542,740	2.06
1998	3,257,363	2,233,873	1,023,490	255,000	295,520	550,520	1.86
1999	3,476,351	2,253,505	1,222,846	270,000	281,750	551,750	2.22
2000	3,505,972	2,420,124	1,085,848	280,000	266,765	546,765	1.99
2001	3,811,595	2,452,707	1,358,888	300,000	250,805	550,805	2.47
2002	3,773,337	2,529,934	1,243,403	315,000	233,405	548,405	2.27
2003	3,535,737	2,654,034	881,703	0	0	0	N/A
2004	3,577,423	2,708,742	868,681	0	0	0	N/A

- (1) Gross revenue is total operating revenue plus interest revenue
- (2) Total operating expenses are operating and maintenance expense exclusive of depreciation
- (3) Total debt service requirements reflect scheduled payments only and does not include the optional redemption principal payment
- (4) Source: City Financial Records

City of Kent, Ohio
Revenue Bond Coverage - Water Bonds
Last Ten Years

Year	Gross Revenue (1)	Total Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (Percentage)
				Principal	Interest	Total	
1995	\$2,791,736	\$2,149,234	\$642,502	\$175,000	\$77,913	\$252,913	2.54 %
1996	2,748,222	2,361,596	386,626	210,000	67,850	277,850	1.39
1997	2,743,794	2,021,631	722,163	220,000	55,775	275,775	2.62
1998	2,727,096	2,006,673	720,423	235,000	43,125	278,125	2.59
1999	2,860,695	2,016,738	843,957	250,000	29,613	279,613	3.02
2000	2,964,205	2,109,231	854,974	265,000	15,238	280,238	3.05
2001	2,987,952	2,055,737	932,215	0	0	0	N/A
2002	3,098,769	2,170,544	928,225	0	0	0	N/A
2003	2,828,579	2,167,861	660,718	0	0	0	N/A
2004	2,861,427	2,340,647	520,780	0	0	0	N/A

- (1) Gross revenue is total operating revenue plus interest revenue
- (2) Total operating expenses are operating and maintenance expense exclusive of depreciation
- (3) Total debt service requirements reflect scheduled payments only and does not include the optional redemption principal payment
- (4) Source: City Financial Records

City of Kent, Ohio
Demographic Statistics
Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>Public School Enrollment (2)</u>	<u>Unemployment Rate - County (3)</u>	<u>Unemployment Rate - City (4)</u>
1995	28,835	4,173	4.2 %	4.8 %
1996	28,835	4,244	4.4	5.1
1997	28,835	4,152	4.0	4.7
1998	28,835	3,982	3.7	4.3
1999	28,835	3,990	4.0	4.6
2000	27,906	3,839	3.9	4.5
2001	27,906	3,795	4.1	4.7
2002	27,906	3,786	5.0	5.8
2003	27,906	3,784	5.3	6.1
2004	27,906	3,738	5.8	4.6

- (1) Source: U.S. Census Bureau - 1990 Federal Census, 2000 Federal Census
- (2) Kent Board of Education - includes special education and vocational education programs
- (3) Ohio Bureau of Employment Services - Portage County average annual rates as a percentage of the civilian labor force
- (4) Ohio Bureau of Employment Services - City of Kent average annual rates as a percentage of the civilian labor force

City of Kent, Ohio
Construction and Bank Deposits
Last Ten Years

<u>Year</u>	<u>Commercial/Industrial - New Construction (1)</u>		<u>Commercial/Industrial - Alterations (1)</u>		<u>Residential - New Construction (1)</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
1995	2	\$555,000	31	\$2,301,000	33	\$3,640,704
1996	6	5,539,000	11	570,750	44	5,206,377
1997	4	1,935,000	27	4,043,100	54	7,892,836
1998	3	3,453,403	14	379,300	40	6,143,841
1999	9	5,172,000	25	4,773,000	69	10,994,000
2000	3	349,000	29	1,119,350	51	8,753,425
2001	9	7,285,000	21	1,556,190	34	11,395,900
2002	3	1,379,880	29	4,358,616	55	11,857,738
2003	2	520,000	34	2,005,865	41	8,908,000
2004	1	7,200,000	15	169,450	52	9,973,416

(1) Source: City of Kent, Ohio; Department of Community Development

(2) Source: Federal Deposit Insurance Corporation; Office of Corporate Communications

N/A = Not Available

<u>Residential - Alterations (1)</u>		<u>Bank Deposits (2) (in thousands)</u>
<u>Number</u>	<u>Value</u>	
67	\$647,640	\$245,027
70	634,723	324,344
40	693,001	351,734
60	762,782	354,069
120	1,004,000	336,320
108	1,744,813	353,361
87	1,156,297	337,673
92	2,247,607	352,291
88	1,108,162	383,008
89	1,178,601	N/A

City of Kent, Ohio

Principal Taxpayers

December 31, 2004

<u>Name of Taxpayer</u>	<u>Business Activity</u>	<u>2004 Assessed Valuation for Collection in 2005</u>	<u>Percent of Total Assessed Valuation</u>
Ohio Bell	Telephone Utility	\$3,677,110	1.03 %
Silver Meadows Ltd.	Apartment Residences	3,628,560	1.01
Mikey Ryan LLC	Apartment Residences	2,882,600	0.81
Paul P. Tell Sr.	Apartment Residences	2,758,890	0.77
Ohio Edison	Electric Utility	2,655,750	0.74
DSMP - Kent LLC *	Apartment Residences	2,271,150	0.63
Whitehall Terrace Investors LLC	Apartment Residences	2,176,020	0.61
Douglas Partners**	Apartment Residences	2,108,760	0.59
Klaben Family Ford, Inc.	Automobile Dealership	1,852,370	0.52
Davey Tree Expert Co., Inc.	Tree Care	<u>1,755,220</u>	<u>0.49</u>
Total		<u>\$25,766,430</u>	<u>7.20 %</u>
Total Assessed Value		<u>\$358,037,786</u>	

* Formerly Associated Estates Realty and Dale Terrace

** Formerly W9/GLM Real Estate

Source: Portage County, Ohio; County Treasurer

City of Kent, Ohio
Principal Employers - By Municipal Income Tax Withheld
December 31, 2004

<u>Employer</u>	<u>Activity</u>	<u>Amount of Tax Withheld</u>	<u>Percentage of Total Municipal Income Tax Revenue</u>
Kent State University	Higher Education	\$3,382,031	34.87 %
Kent City Schools	Education	484,824	5.00
City of Kent	City Government	227,122	2.34
Davey Tree Expert Co., Inc.	Tree Care	213,252	2.20
Land-O-Lakes	Dairy Products	151,900	1.57
Ametek, Inc.	Manufacturer	139,368	1.44
Smithers-Oasis Company	Manufacturer	118,940	1.23
Integrated Logistics Holding Co.	Manufacturer	85,543	0.88
Klaben Family Ford, Inc.	Automobile Dealership	76,152	0.79
Fontaine Trailer Co.	Manufacturer	<u>64,217</u>	<u>0.66</u>
Total		<u>\$4,943,349</u>	<u>50.98 %</u>
Total Municipal Income Tax Revenue		<u>\$9,697,832</u> (1)	

(1) Reflects total gross municipal income tax collections

Source: City of Kent; Department of Budget and Finance; Income Tax Division

City of Kent, Ohio
Miscellaneous Statistics and Community Profile
 December 31, 2004

LOCATION

Nearest Major Cities:	Akron, Cleveland
Distance in Miles:	15, 45
Major Highway/North-South:	State Route 43
Major Highway/East-West	State Route 59
Nearest Interstates:	Interstate 76, 3 Miles South - Ohio Turnpike, 7 miles North

PORTAGE COUNTY LABOR FORCE DECEMBER 2003

Employment:	81,700
Unemployment:	5.80%

EDUCATION

	<u>Schools</u>	<u>Teachers</u>	<u>Grades</u>	<u>Enrollment</u>
Elementary	5		K - 6	1,443
Middle School	1		7 - 8	808
High School	1		9 - 12	1,319
Private and Parochial	1		K - 8	338
Vocational/Technical	Co-operative with Other Communities			
Colleges	1- Graduate and Undergraduate - 24,347			
Libraries	2			
Total Volumes and Other Media	3,466,000			

TRANSPORTATION

Railroads

Name: CSX Transportation, Wheeling & Lake Erie Railroad

Motor Freight Lines

Name: 45 Serve the Area

Air

Name of Local Airport: Andrew Patton
 Runway Length: 3,950 Feet
 Distance: 3 Miles West of City
 Surface: Asphalt
 Lighted: Yes
 Instrument Approach: Yes
 Contact Person: Commercial Aviation Corporation - 330/672-2640
 Nearest Scheduled Service: Akron/Canton, Cleveland Hopkins
 Distance in Miles: 25, 45
 Name of Major Airlines: America West, American, Continental, Delta, Northwest
 Southwest, US Airways, United

(continued)

City of Kent, Ohio
Miscellaneous Statistics and Community Profile (Continued)
 December 31, 2004

Water

Nearest Port:	Cleveland World Port
Distance in Miles:	45

UTILITIES AND SERVICES

Natural Gas Supplier:	Dominion East Ohio
Contact:	330/794-0790
Electricity Supplier:	Ohio Edison Company
Contact:	330/677-2700
Water Supplier:	Municipal
Contact:	330/678-8104
Source:	Wells
Treatment Capacity:	6.0 Million Gallons per Day
Available Capacity:	2.3 Million Gallons per Day

SEWERS

Sanitary:	Yes
Storm:	Yes
Wastewater Treatment Plant:	Municipal
Type:	Advanced
Design Capacity:	5.0 Million Gallons per Day
Peak Capacity:	10.0 Million Gallons per Day

GREATER KENT AREA

YW/YMCA	1
Golf Courses:	6
Other Facilities:	9 Theaters, 1 Drive-in, 12 Ballfields, 24 Tennis Courts, 2 Bowling Alleys, 1 Indoor Ice Arena, 1 Roller Rink, 2 Indoor Swimming Pools, 11 Municipal Parks
Churches:	26
Catholic:	2
Protestant:	24
Motels:	8
Rooms:	560
Shopping Centers:	2
Department Stores:	1
Restaurants:	65

(continued)

City of Kent, Ohio
Miscellaneous Statistics and Community Profile (Continued)
December 31, 2004

FINANCIAL

Banks:	8
Credit Unions:	2
Hospitals:	1
Beds:	218
Doctors:	27
Dentists:	16

GOVERNMENT

Type of Government:	Council - City Manager
Police Department:	53 Full-time
Fire Department:	34 Full-time
Fire Insurance Rating:	5
Date Comprehensive Plan Revised	1986
Zoning Ordinance:	Yes

COMMUNICATIONS

Newspaper:	Record Courier, Akron Beacon Journal
Radio Stations:	WNIR/WKSU and Akron/Cleveland Stations
Television Stations:	All Akron/Cleveland Stations
Cable Television:	Yes, TCI Media, Incorporated

LOCAL CONTACTS

Chamber of Commerce:	Daniel Smith
Address:	155 East Main Street Kent, Ohio 44240
Phone:	330/673-9855
Kent Growth Corporation:	Dave Ruller, City Manager
Address:	City Building, 315 East Summit Street Kent, Ohio 44240
Phone:	330/676-7500
Economic Development:	Michael T. Weddle, Economic Development Coordinator
Address:	City Building, 930 Overholt Road Kent, Ohio 44240
Phone:	330/678-8108



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**CITY OF KENT
PORTAGE 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, 2005**