

CITY OF KENT, OHIO

SINGLE AUDIT REPORT

DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

Members of City Council
City of Kent
325 S. 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, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 30, 2006

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CITY OF KENT, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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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, 2005, which collectively comprise the City of Kent, Ohio's basic financial statements and have issued our report thereon dated May 25, 2006. 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 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 May 25, 2006.

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 May 25, 2006.

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

May 25, 2006

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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, 2005. 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, 2005.

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

May 25, 2006

CITY OF KENT, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title		Federal CFDA Number	Program or Award Amount	Receipts Recognized	Program Income	Direct Program Expenditures
<u>United States Department of Housing and Urban Development</u>						
<i>Direct Program</i>						
Community Development Block Grant - Entitlement	B-02-MC-39-0026	14.218	\$ 438,000	\$ 0	\$ 0	\$ 1,233
Community Development Block Grant - Entitlement	B-03-MC-39-0026	14.218	379,000	251,373	0	121,773
Community Development Block Grant - Entitlement	B-04-MC-39-0026	14.218	366,000	297,005	0	312,473
Community Development Block Grant - Entitlement	B-05-MC-39-0026	14.218	347,271	0	0	113,658
Total CFDA 14.218				<u>548,378</u>	<u>0</u>	<u>549,137</u>
<i>Passed Through Ohio Department of Development</i>						
Home Investment Partnership	A-C-03-136-1	14.239	555,000	182,279	0	182,279
Total United States Department of Housing and Urban Development				<u>730,657</u>	<u>0</u>	<u>731,416</u>
<u>United States Department of Justice</u>						
<i>Direct Program</i>						
Local Law Enforcement Block Grant	03-LB-BX-2494	16.592	11,672	4,252	394	4,646*
Total United States Department of Justice				<u>4,252</u>	<u>394</u>	<u>4,646</u>
<u>Federal Emergency Management Agency</u>						
<i>Direct Programs</i>						
Public Assistance Program	133-39872-00 DR-1484	83.544	42,135	7,427	0	2,366
Total Federal Emergency Management Agency				<u>7,427</u>	<u>0</u>	<u>2,366</u>
<u>United States Environmental Protection Agency</u>						
<i>Direct Programs</i>						
Nonpoint Source Implementation	C997550003 03(h)EPA-07	66.460	500,000	86,225	0	86,225
Total United States Environmental Protection Agency				<u>86,225</u>	<u>0</u>	<u>86,225</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 828,561</u>	<u>\$ 394</u>	<u>\$ 824,653</u>

* Includes \$394 of program income.

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, 2005

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards of the City of Kent, Ohio 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, 2005.

	<u>Receipt Recognized</u>	<u>Direct Program Expenditures</u>
<u>Department of HUD</u>		
Cash Basis	\$ 724,718	\$ 704,758
Accrual Adjustment	<u>5,939</u>	<u>26,658</u>
Department of HUD - Accrual Basis	<u>\$ 730,657</u>	<u>\$ 731,416</u>
<u>Department of Justice</u>		
Cash Basis	\$ 0	\$ 4,787
Accrual Adjustment	<u>4,252</u>	<u>(141)</u>
Department of Justice - Accrual Basis	<u>\$ 4,252</u>	<u>\$ 4,646</u>
<u>Federal Emergency Management Agency</u>		
Cash Basis	\$ 0	\$ 2,366
Accrual Adjustment	<u>7,427</u>	<u>0</u>
FEMA - Accrual Basis	<u>\$ 7,427</u>	<u>\$ 2,366</u>
<u>Environmental Protection Agency</u>		
Cash Basis	\$ 0	\$ 86,225
Accrual Adjustment	<u>86,225</u>	<u>0</u>
Environmental Protection Agency - Accrual Basis	<u>\$ 86,225</u>	<u>\$ 86,225</u>
<u>Federal Highway Administration</u>		
Cash Basis	\$ 5,239	\$ 0
Accrual Adjustment	<u>(5,239)</u>	<u>0</u>
FEMA - Accrual Basis	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF KENT, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 3: **PROGRAM INCOME**

The City of Kent, Ohio 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. The principal outstanding at December 31, 2005 was \$513,073. 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 \$394 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	\$ 13,028
Revolving Loan Interest Earnings - UDAG	7,713
Rehabilitation Loan Repayment - CDBG	36,909
Interest Income from Bank Accounts - UDAG	4,127
Community Development Block Grant - Program Income	7,091
Continuing Housing Impact Program - Program Income	<u>7,656</u>
Total Program Income	<u><u>\$ 76,524</u></u>

CITY OF KENT, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinions	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list): CFDA #14.218 - Community Development Block Grant Entitlement	
2005(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, 2005

The prior audit report, as of December 31, 2004, 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, 2005

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, 2005
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Comprehensive Annual Financial Report
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CITY OF KENT, OHIO

DEPARTMENT OF BUDGET AND FINANCE

May 25, 2006
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, 2005, 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, 2005, 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 23,622 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 among departments within 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>
2005	23,622	(3.0%)
2004	24,347	0.4%
2003	24,242	3.2%

In the statistical section, the table entitled “Principal Employers - By Municipal Income Tax Withheld” shows that Kent State University alone accounts for 34.11 percent of total municipal income tax revenues. Based on Kent State University’s plans for the future, enrollment at the University is anticipated to remain stable. The University has an aggressive capital improvement plan. During 2005, 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 \$5.3 million. Four residential subdivisions were also under construction. These subdivisions consist of upscale condominiums and single family houses with values ranging from \$150,000 to \$650,000. Building permits issued indicate a total value of \$13.7 million for residential new construction and renovations.

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 remains positive. Current and proposed redevelopment of previously neglected sections of the downtown area also points to a renewed focus of investment into these areas. It is anticipated that the City will continue to pursue a balanced and sustainable approach to growth and redevelopment that will serve to enhance the current financial position of the City.

Major Initiatives

In 2005, the \$5.0 million Cuyahoga River Restoration Project was completed. 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. As part of this project, a park was developed that highlights the historical aspects 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. The Cuyahoga River Restoration Project received several awards, including the “2005 Technical Innovation Award” from the American Public Works Association.

Long-term Financial Planning

During 2005, 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. One component of the plan is long-term financial projections, which still indicate the need for continued cost containment efforts. In 2006, City Council appointed a committee of citizens to aid in an in-depth analysis of the City finances, with the goal of identifying actions to ensure financial sustainability in a proactive, constructive manner.

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 2005 was \$840,556.

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, 2004. This was the eighteenth 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, 2004

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



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

CITY OF KENT, OHIO
ELECTED OFFICIALS - 2005

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* John M. Kuhar **
WARD 5	Edward C. Bargerstock
WARD 6	Beth A. Oswitch

* Kathleen M. Guckelberger served from January 1, 2005 to December 5, 2005.

** John M. Kuhar served from December 6, 2005 to December 31, 2005.

CITY OF KENT, OHIO

APPOINTED OFFICIALS - 2005

OFFICE OF CITY MANAGER

City Manager

David A. Ruller *

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

Eugene K. Roberts ***

City Engineer

Christopher J. Tolnar ****

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 Budge 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

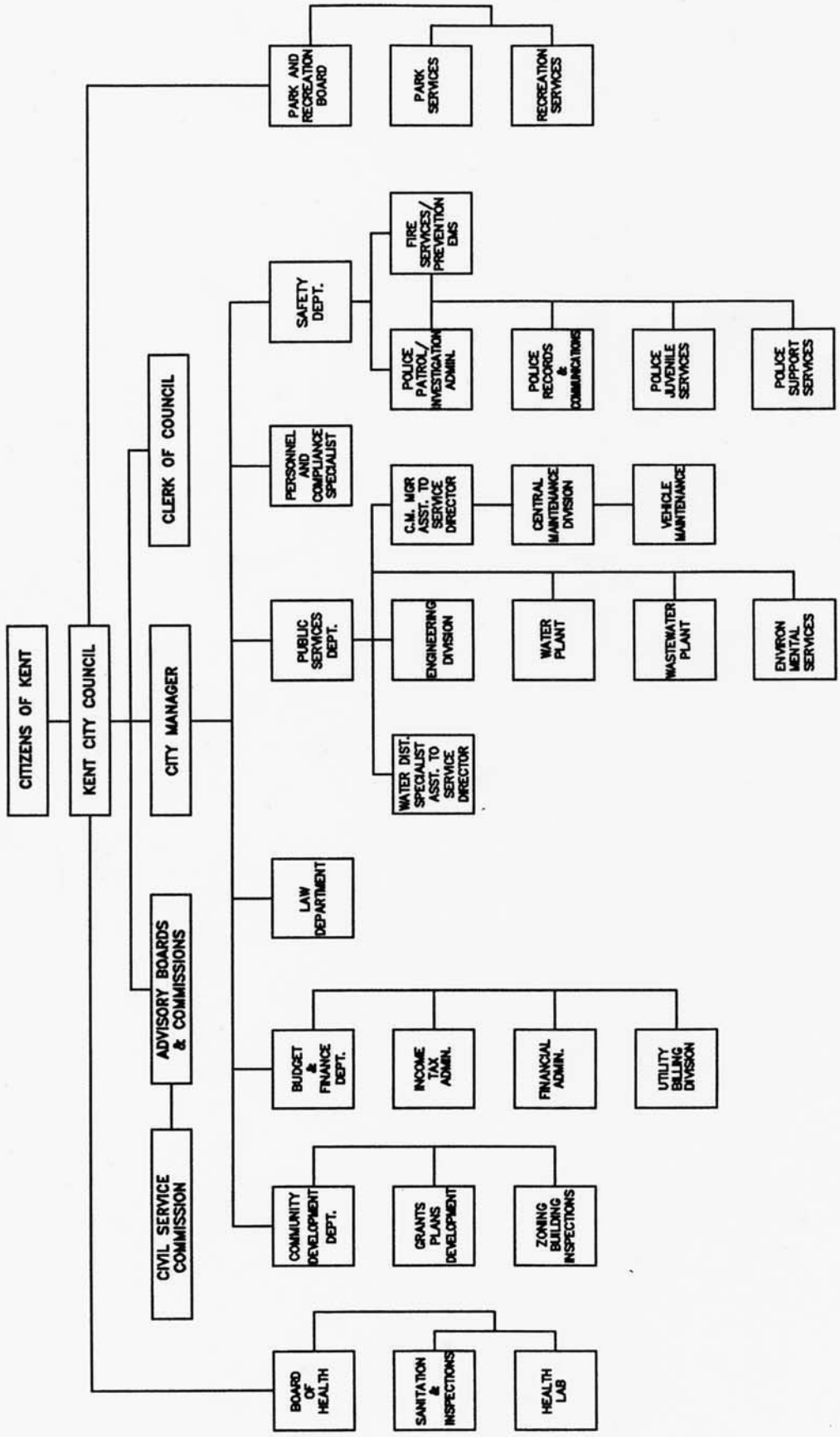
* David A. Ruller Served as City Manager from June 15 to December 31, 2005.

** William C. Lillich served as interim City Manager from January 1 to June 14, 2005.

*** Eugene K. Roberts served as City Engineer from January 1 to May 15, 2005. He was promoted to Service Director May 16, 2005. Prior to May 15, the Service Director was David J. Merleno.

**** Christopher J. Tolnar served as Acting City Engineer from August 29 to December 31, 2005.

CITY OF KENT, OHIO ORGANIZATIONAL CHART



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

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kent, Ohio'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, 2005, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the major special revenue funds 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 May 25, 2006 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 on pages 11 through 22 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 schedules, and statistical section 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


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

May 25, 2006

City of Kent, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are:

- Total assets of the City of Kent exceeded its liabilities at the close of the most recent year by \$92,739,682 (*net assets*). Of this amount, \$21,280,173 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total net assets increased by \$5,758,702 or 6.62% over 2004. Of this amount, \$3,062,352 is attributable to governmental activities and \$2,696,350 is attributable to business-type activities.
- Total capital assets increased by \$5,091,519 or 7.19% over 2004. Governmental capital assets increased by \$2,099,039 and business-type capital assets increased by \$2,992,480.
- Total current assets increased \$301,031 or .80% as compared to 2004. This increase corresponds to an increase in governmental current assets of \$524,115, which is partially offset by a decrease in the current assets of the business-type activities of \$223,084.
- Total liabilities decreased \$366,152 or 1.72% as compared to 2004. This decrease is comprised of a decrease in the governmental activities liabilities of \$439,198 and an increase in the liabilities of the business-type activities of \$73,046.

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 36-39 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 40 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 41-65 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 2005. 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
Management's Discussion and Analysis
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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 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$30,635,567	\$30,111,452	\$7,116,205	\$7,339,289	\$37,751,772	\$37,450,741
Capital Assets, Net	20,610,915	18,511,876	55,247,614	52,255,134	75,858,529	70,767,010
<i>Total Assets</i>	<u>51,246,482</u>	<u>48,623,328</u>	<u>62,363,819</u>	<u>59,594,423</u>	<u>113,610,301</u>	<u>108,217,751</u>
Current and Other Liabilities	8,816,865	9,087,691	3,409,098	5,020,942	12,225,963	14,108,633
Long-Term Liabilities:						
Due Within One Year	867,199	777,348	427,340	197,202	1,294,539	974,550
Due In More Than One Year	3,159,060	3,417,283	4,191,057	2,736,305	7,350,117	6,153,588
<i>Total Liabilities</i>	<u>12,843,124</u>	<u>13,282,322</u>	<u>8,027,495</u>	<u>7,954,449</u>	<u>20,870,619</u>	<u>21,236,771</u>
Invested in Capital Assets, Net of Related Debt	13,510,154	10,945,438	47,826,983	45,884,269	61,337,137	56,829,707
Restricted:						
Capital Projects	2,497,612	2,599,661	0	0	2,497,612	2,599,661
Debt Service	850,671	935,399	0	0	850,671	935,399
Street Construction, Maintenance and Repair	2,016,533	1,920,662	0	0	2,016,533	1,920,662
Income Tax	1,866,936	1,798,054	0	0	1,866,936	1,798,054
Community Development						
Block Grant	1,047,119	1,031,066	0	0	1,047,119	1,031,066
Parks and Recreation	910,229	786,524	0	0	910,229	786,524
Other Purposes	933,272	713,405	0	0	933,272	713,405
Unrestricted	14,770,832	14,610,797	6,509,341	5,755,705	21,280,173	20,366,502
<i>Total Net Assets</i>	<u>\$38,403,358</u>	<u>\$35,341,006</u>	<u>\$54,336,324</u>	<u>\$51,639,974</u>	<u>\$92,739,682</u>	<u>\$86,980,980</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 \$92,739,682 at the close of the most recent year.

The largest portion of the City's net assets (66.1%) 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 (\$10,122,372 or 10.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$21,280,173 or 23.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets increased by \$5,392,550 from 2004 to 2005. The majority (94.4%) of the change in assets relates to the increase in capital assets of \$5,091,519, which is combined with an increase in current and other assets of \$301,031. This increase in capital assets is due to the acceptance of \$1.9 million in infrastructure assets from subdivision developers, \$1.1 million to extend water and sewer lines to previously unserved areas, \$.9 million for completion of multiple sewer upgrade and renovation projects and \$.6 million for the Crain Avenue Bridge Project.

Total liabilities decreased \$366,152, which corresponds to a decrease of \$439,198 in governmental funds that is partially offset by an increase of \$73,046 in the business-type funds. A reduction of \$438,947 in outstanding debt is the major reason for the change in the governmental funds. An increase in outstanding debt of \$1,072,906, coupled with a reduction in capital contracts payable of \$992,728 accounted for the increase in the business-type funds. Both of these changes in the business-type funds are related to 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 same situation held true for the prior fiscal year.

The total net assets of the City increased \$5,758,702 from 2004 to 2005. The primary reason for this overall change is an increase of \$4,507,430 relating to investment in capital assets, net of outstanding debt. A reduction in capital contracts payable of close to \$1.1 million dollars, which was financed primarily through capital grants, also contributed to the overall increase.

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
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

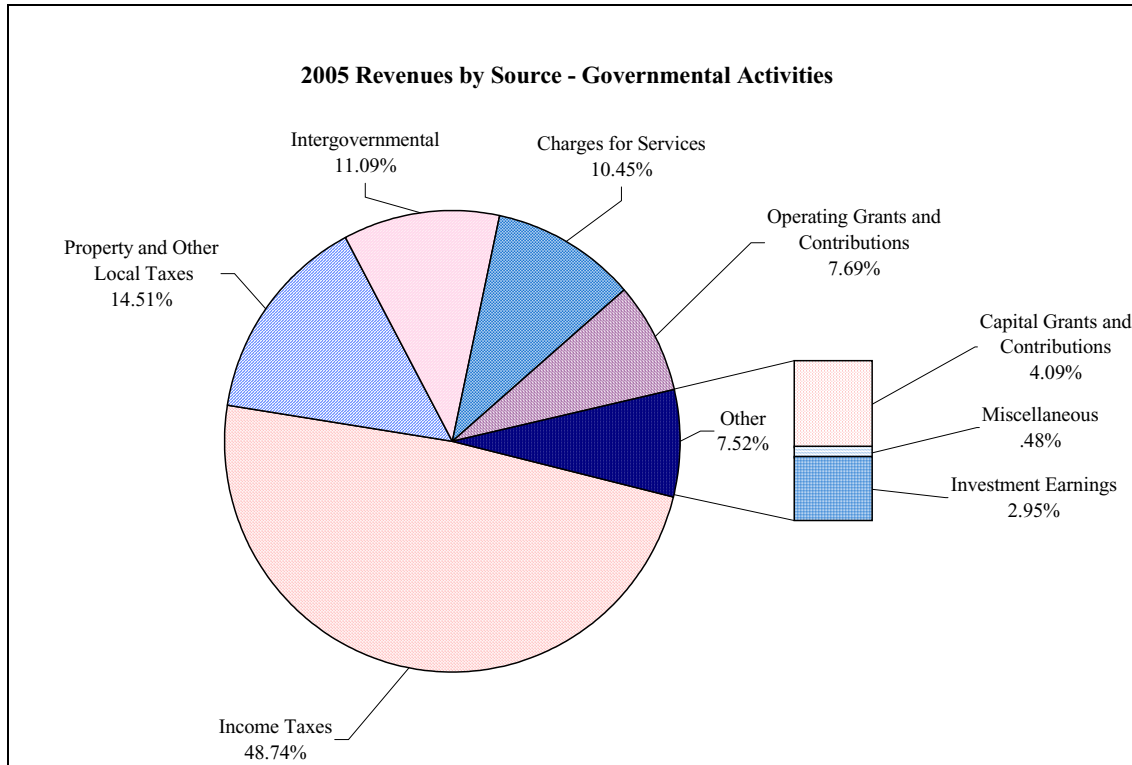
Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for Services	\$2,176,318	\$1,962,034	\$7,266,585	\$7,217,228	\$9,442,903	\$9,179,262
Operating Grants and Contributions:	1,601,253	1,827,953	25,857	96,533	1,627,110	1,924,486
Capital Grants and Contributions	797,717	898,967	2,189,356	3,399,989	2,987,073	4,298,956
General Revenues:						
Income Taxes	10,149,597	9,705,339	0	0	10,149,597	9,705,339
Property and Other Local Taxes	3,022,427	3,051,628	0	0	3,022,427	3,051,628
Intergovernmental	2,308,746	2,163,350	0	0	2,308,746	2,163,350
Investments	615,028	354,751	225,528	94,364	840,556	449,115
Gain on Sale of Capital Assets	0	26,173	0	17,357	0	43,530
Miscellaneous	99,965	261,338	46,722	49,469	146,687	310,807
Total Revenues	20,771,051	20,251,533	9,754,048	10,874,940	30,525,099	31,126,473
Program Expenses						
Security of Persons and Property	9,088,539	9,067,707	0	0	9,088,539	9,067,707
Public Health and Welfare	547,160	561,278	0	0	547,160	561,278
Leisure Time Activities	1,202,921	1,241,619	0	0	1,202,921	1,241,619
Community Development	1,850,436	1,958,778	0	0	1,850,436	1,958,778
Transportation	2,056,046	1,957,215	0	0	2,056,046	1,957,215
General Government	2,747,645	2,824,185	0	0	2,747,645	2,824,185
Interest and Fiscal Charges	245,952	242,475	0	0	245,952	242,475
Water	0	0	2,936,749	2,899,384	2,936,749	2,899,384
Sewer	0	0	3,511,561	3,395,981	3,511,561	3,395,981
Solid Waste	0	0	362,930	371,745	362,930	371,745
Storm Water Drainage	0	0	216,458	237,800	216,458	237,800
Total Expenses	17,738,699	17,853,257	7,027,698	6,904,910	24,766,397	24,758,167
Increase in Net Assets Before Transfers	3,032,352	2,398,276	2,726,350	3,970,030	5,758,702	6,368,306
Transfers	30,000	(170,000)	(30,000)	170,000	0	0
Increase in Net Assets	3,062,352	2,228,276	2,696,350	4,140,030	5,758,702	6,368,306
Net Assets Beginning of Year - Restated	35,341,006	33,112,730	51,639,974	47,499,944	86,980,980	80,612,674
Net Assets End of Year	\$38,403,358	\$35,341,006	\$54,336,324	\$51,639,974	\$92,739,682	\$86,980,980

City of Kent, Ohio
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Unaudited

Governmental Activities

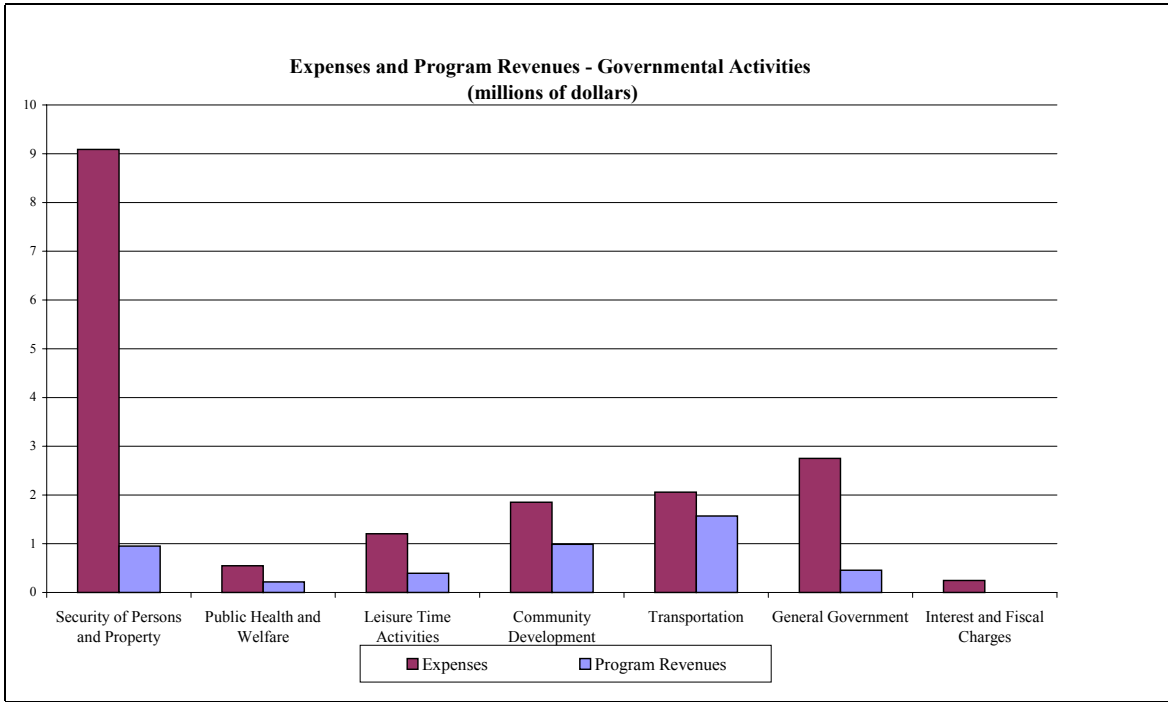
Governmental activities increased the City's net assets by \$3,062,352 during 2005.



Several types of revenues fund the City's governmental activities, with municipal income tax being the largest contributor. Income tax collections increased \$444,258 or 4.58%, which is primarily due to the fact that there was modest economic improvement in the area in 2005, coupled with an unusually low collection year in 2004. Overall, the City's governmental revenues increased \$519,518 or 2.57% as compared to 2004. The major item contributing to the increase was the growth in income tax collections. Another positive factor was the rise in investment income \$260,277 or 73.37% due to higher market rates. The remaining revenue items decreased \$185,053 or 1.82%.

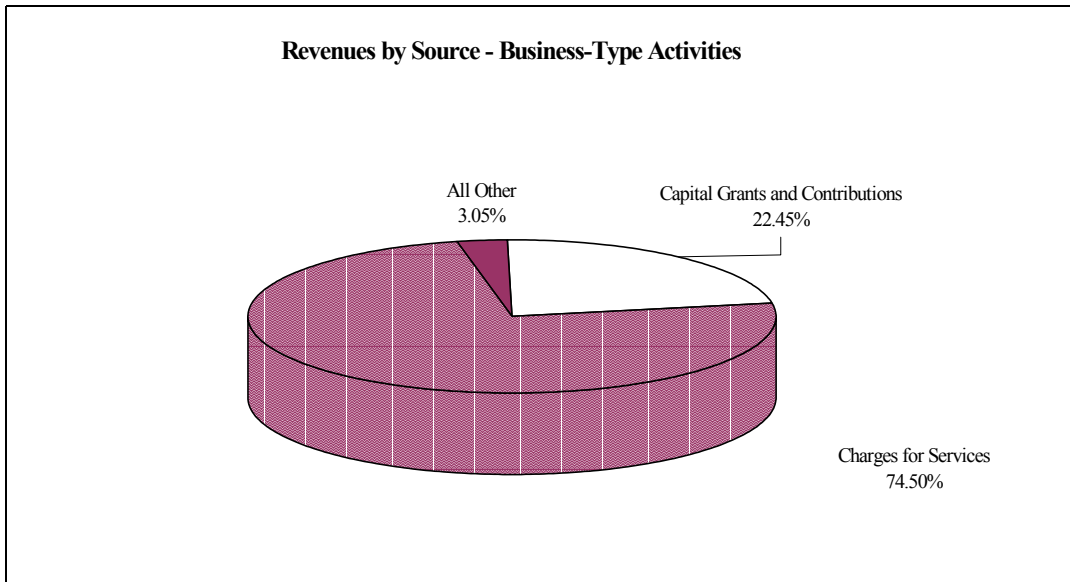
Expenses in the governmental activities decreased by \$114,558 or .64%. This decrease corresponds to the fact that there were several vacancies during 2005, including but not limited to, the City Manager and three full-time safety positions. While it is the City's intent to fill some of these positions, other vacancies have been held pending the determination of the City's future financial strategy. Expenses for community development were down due to decreased activity related to both grants and economic development. Additional depreciation expenses of close to \$90,000 accounted for most of the increase in transportation, which partially offset the decreases in the other program areas. Staffing vacancies as well as a downturn in subdivision inspection costs were the major contributors to the decrease in the general government category. During 2005, the largest program area for the City is security of persons and property (51.24%), which includes police, fire and emergency medical services. The next largest program is general government (15.49%), which accounts for the basic operations of the City including council, mayor, city manager, human resources, finance, law, engineering, service administration and civil service.

City of Kent, Ohio
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Unaudited



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 \$2,696,350.

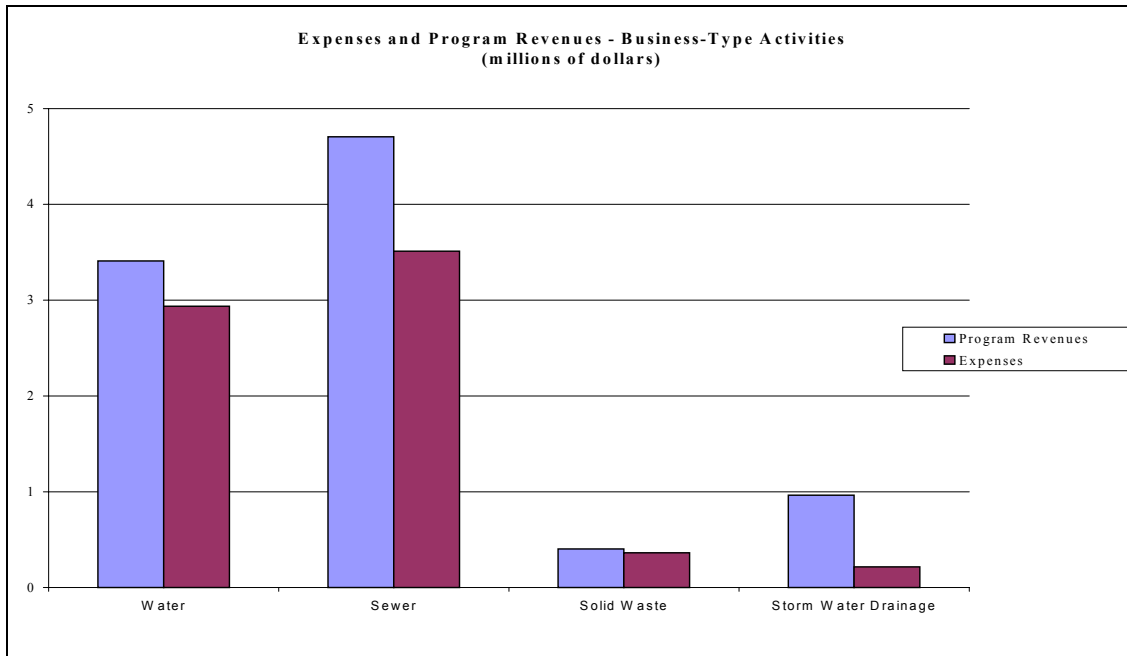


Charges for services account for 74.50% of total business-type revenues. The slight increase in charges for services, \$49,357 or .68%, corresponds to new customers as a result of housing construction. The capital

City of Kent, Ohio
Management's Discussion and Analysis
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grants and contributions consist mainly of \$1.18 million in infrastructure assets that were accepted from developers, combined with \$.44 million in capital grants related to the completion of the Cuyahoga River Restoration project. The remaining \$.57 million of capital grants and contributions is comprised of tap-in fees and special assessments.

Expenses in the business-type activities grew by \$122,788 or 1.78%. 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 excess of program revenues over expenses in the water, sewer and storm water drainage funds is due primarily to infrastructure capital received from developers and capital grants 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. The general fund and the five major special revenue funds function together as the chief operating funds of the City. These funds account for 79% of the activity and 99% of the fund balance. Their combined activity was previously discussed.

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 \$17,431,611, which represents an increase of \$952,462 or 5.78% as compared to 2004. Of the total amount, \$14,581,186 constitutes *unreserved fund balance*, which is available at the government's

City of Kent, Ohio
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discretion. The current unreserved fund balance represents 75.88% of the total governmental funds expenditures. A portion of the unreserved fund balance (\$1,866,936) 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 (\$2,062,185); 2) to fund the revolving loan program (\$513,073); and 3) for other restricted purposes (\$275,167).

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.

	Water	Sewer	Solid Waste	Storm Water Drainage
Unrestricted Net Assets	\$2,196,722	\$3,724,671	(\$107,347)	\$773,575
Change in Net Assets	582,897	1,308,139	39,844	780,782

In the water and sewer funds, which are the two largest enterprise funds, the unrestricted net assets represent 75.41% and 108.68% 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 2005, 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 \$8,325,010 and the final amended budget was \$8,719,466, an increase of \$394,456. Actual expenditures were \$7,801,204, or \$918,262 less than was budgeted. The major items contributing to the increase in the budget were the reappropriation of funds for capital outlay, the addition of funds to purchase a property that unexpectedly became available and the receipt of state grant funds to purchase updated fingerprint equipment.

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, 2005, was \$75,858,529. The City's investment in capital assets increased by \$2,099,039 or 11.34% for governmental activities and \$2,992,481 or 5.73% for business-type activities when comparing 2004 to 2005.

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 2006.

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.

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Table 3 compares capital assets as of December 31, 2005 to balances at December 31, 2004.

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$3,822,998	\$2,978,403	\$1,800,857	\$1,795,855	\$5,623,855	\$4,774,258
Buildings, Structures and Improvements	7,324,995	7,657,133	6,359,298	6,620,130	13,684,293	14,277,263
Machinery and Equipment	2,990,173	3,020,022	2,542,859	2,852,529	5,533,032	5,872,551
Construction in Progress	2,834,768	1,729,158	2,246,930	12,199,519	5,081,698	13,928,677
Infrastructure						
Roads	3,402,613	2,884,174	0	0	3,402,613	2,884,174
Traffic Signals	235,368	242,986	0	0	235,368	242,986
Water	0	0	9,904,276	7,843,462	9,904,276	7,843,462
Sewer	0	0	22,402,099	11,968,884	22,402,099	11,968,884
Storm Water	0	0	9,991,295	8,974,755	9,991,295	8,974,755
<i>Total Capital Assets</i>	<u>\$20,610,915</u>	<u>\$18,511,876</u>	<u>\$55,247,614</u>	<u>\$52,255,134</u>	<u>\$75,858,529</u>	<u>\$70,767,010</u>

Long-term Debt. At December 31, 2005, the City's bonds, notes and loans outstanding were \$14.4 million.

Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$2,235,000	\$2,355,000	\$0	\$0	\$2,235,000	\$2,355,000
Special Assessment Bonds	550,000	589,000	0	0	550,000	589,000
OPWC Loans	395,761	425,708	0	0	395,761	425,708
OWDA Loans	0	0	4,410,631	2,737,725	4,410,631	2,737,725
Notes Payable	3,920,000	4,170,000	3,010,000	3,610,000	6,930,000	7,780,000
Total	<u>\$7,100,761</u>	<u>\$7,539,708</u>	<u>\$7,420,631</u>	<u>\$6,347,725</u>	<u>\$14,521,392</u>	<u>\$13,887,433</u>

The City of Kent's total long-term debt increased by \$1,483,959 or 24.3%. 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 \$24,245 and \$1,664,774, 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 of \$205,060.

Short-term debt decreased \$850,000. The notes payable of \$3,920,000 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, \$1,910,000 was originally issued to current refund outstanding sewer bonds with an average interest rate of 6.48%. It is the City's intention to retire these notes through the

City of Kent, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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reissuance of notes, scheduling debt service payments at approximately the same level required by the refunded debt. The remaining \$1.1 million was 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 \$37,120,524 at December 31, 2005.

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. Eight 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 nine 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 2005, 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. One component of the plan is long-term financial projections, which still indicate the need for continued cost containment or revenue enhancement efforts. In 2006, City Council appointed a committee of citizens to aid in an in-depth analysis of the City finances, with the ultimate goal of identifying actions to ensure financial sustainability in a proactive, constructive manner. Use of the committee is also intended to aid the City in implementing any changes identified to remedy the financial structural deficit

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 positive. 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 that will serve to enhance the current 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, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$17,440,136	\$6,413,880	\$23,854,016
Cash Surrender Value of Life Insurance Policies	895,955	0	895,955
Receivables:			
Interest Receivable	146,781	34,959	181,740
Accounts Receivable	0	1,451,711	1,451,711
Other Receivable	199,771	139,478	339,249
Income Taxes Receivable	1,528,942	0	1,528,942
Property Taxes Receivable	2,934,386	0	2,934,386
Lodging Taxes Receivable	51,236	0	51,236
Loans Receivable	513,073	0	513,073
Utilization Fee Receivable	0	176,039	176,039
Special Assessments Receivable	1,907,440	897,804	2,805,244
Less Allowance for Doubtful Accounts	0	(257,371)	(257,371)
Receivables, Net	<u>7,281,629</u>	<u>2,442,620</u>	<u>9,724,249</u>
Internal Balances	2,456,298	(2,456,298)	0
Due From Other Governments	2,190,515	666,691	2,857,206
Inventories	157,765	27,083	184,848
Prepaid Items	78,223	21,804	100,027
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	135,046	425	135,471
Capital Assets, Non-Depreciable	6,657,766	4,047,787	10,705,553
Capital Assets, Depreciable, Net	<u>13,953,149</u>	<u>51,199,827</u>	<u>65,152,976</u>
<i>Total Assets</i>	<u>51,246,482</u>	<u>62,363,819</u>	<u>113,610,301</u>
Liabilities			
Accounts Payable	343,891	133,502	477,393
Capital Contracts Payable	658,602	87,872	746,474
Accrued Wages and Benefits	667,935	134,166	802,101
Due to Other Governments	61,454	1,475	62,929
Unearned Revenue	23,484	16,422	39,906
Deferred Revenue	2,874,874	0	2,874,874
Accrued Interest Payable	43,999	25,236	69,235
Claims Payable	208,080	0	208,080
Notes Payable	3,920,000	3,010,000	6,930,000
Payable from Restricted Assets	14,546	425	14,971
Long-Term Liabilities:			
Due Within One Year	867,199	427,340	1,294,539
Due In More Than One Year	<u>3,159,060</u>	<u>4,191,057</u>	<u>7,350,117</u>
<i>Total Liabilities</i>	<u>12,843,124</u>	<u>8,027,495</u>	<u>20,870,619</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,510,154	47,826,983	61,337,137
Restricted for:			
Capital Projects	2,497,612	0	2,497,612
Debt Service	850,671	0	850,671
Street Construction, Maintenance and Repair	2,016,533	0	2,016,533
Income Tax	1,866,936	0	1,866,936
Community Development Block Grant	1,047,119	0	1,047,119
Parks and Recreation	910,229	0	910,229
Other Purposes	933,272	0	933,272
Unrestricted	<u>14,770,832</u>	<u>6,509,341</u>	<u>21,280,173</u>
<i>Total Net Assets</i>	<u>\$38,403,358</u>	<u>\$54,336,324</u>	<u>\$92,739,682</u>

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Activities
For the Year Ended December 31, 2005

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Security of Persons and Property	\$9,088,539	\$895,878	\$58,165	\$0
Public Health and Welfare	547,160	208,339	4,893	0
Leisure Time Activities	1,202,921	392,615	0	0
Community Development	1,850,436	243,509	743,594	0
Transportation	2,056,046	2,033	771,546	797,717
General Government	2,747,645	433,944	23,055	0
Interest and Fiscal Charges	245,952	0	0	0
<i>Total Governmental Activities</i>	<u>17,738,699</u>	<u>2,176,318</u>	<u>1,601,253</u>	<u>797,717</u>
Business-Type Activities				
Water	2,936,749	2,817,816	627	590,769
Sewer	3,511,561	3,519,931	12,730	1,172,094
Solid Waste	362,930	390,057	12,500	0
Storm Water Drainage	216,458	538,781	0	426,493
<i>Total Business-Type Activities</i>	<u>7,027,698</u>	<u>7,266,585</u>	<u>25,857</u>	<u>2,189,356</u>
<i>Total</i>	<u>\$24,766,397</u>	<u>\$9,442,903</u>	<u>\$1,627,110</u>	<u>\$2,987,073</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

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
(\$8,134,496)	\$0	(\$8,134,496)
(333,928)	0	(333,928)
(810,306)	0	(810,306)
(863,333)	0	(863,333)
(484,750)	0	(484,750)
(2,290,646)	0	(2,290,646)
(245,952)	0	(245,952)
<u>(13,163,411)</u>	<u>0</u>	<u>(13,163,411)</u>
0	472,463	472,463
0	1,193,194	1,193,194
0	39,627	39,627
<u>0</u>	<u>748,816</u>	<u>748,816</u>
<u>0</u>	<u>2,454,100</u>	<u>2,454,100</u>
<u>(13,163,411)</u>	<u>2,454,100</u>	<u>(10,709,311)</u>
1,579,658	0	1,579,658
1,442,769	0	1,442,769
10,149,597	0	10,149,597
2,308,746	0	2,308,746
615,028	225,528	840,556
0	0	0
<u>99,965</u>	<u>46,722</u>	<u>146,687</u>
16,195,763	272,250	16,468,013
<u>30,000</u>	<u>(30,000)</u>	<u>0</u>
<u>16,225,763</u>	<u>242,250</u>	<u>16,468,013</u>
3,062,352	2,696,350	5,758,702
<u>35,341,006</u>	<u>51,639,974</u>	<u>86,980,980</u>
<u>\$38,403,358</u>	<u>\$54,336,324</u>	<u>\$92,739,682</u>

City of Kent, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	General	Street Construction, Maintenance and Repair	Parks and Recreation	Income Tax	Income Tax Safety	Fire and Emergency Medical Services
Assets						
Equity in Pooled Cash and Cash Equivalents	\$7,524,357	\$483,880	\$1,060,240	\$3,374,644	\$213,764	\$523,670
Receivables:						
Property Taxes Receivable	1,522,014	0	974,365	0	0	0
Income Taxes Receivable	0	0	0	1,528,942	0	0
Lodging Taxes Receivable	51,236	0	0	0	0	0
Interest Receivable	144,346	0	0	1,993	0	0
Loans Receivable	0	0	0	0	0	0
Other Receivable	190,885	0	7,767	0	0	0
Special Assessments Receivable	0	984,344	0	0	0	0
Receivables, Net	<u>1,908,481</u>	<u>984,344</u>	<u>982,132</u>	<u>1,530,935</u>	<u>0</u>	<u>0</u>
Due from Other Funds	351,466	0	0	2,247,080	0	0
Due from Other Governments	1,314,462	501,346	72,654	0	7	369
Inventories	15,840	141,925	0	0	0	0
Prepaid Items	57,504	8,662	2,269	629	0	8,991
Restricted Cash:						
Equity in Pooled Cash and Cash Equivalents	<u>500</u>	<u>14,496</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$11,172,610</u>	<u>\$2,134,653</u>	<u>\$2,117,295</u>	<u>\$7,153,288</u>	<u>\$213,771</u>	<u>\$533,030</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$141,505	\$24,796	\$16,435	\$3,382	\$0	\$23,444
Capital Contracts Payable	134,401	0	180,818	0	0	13,000
Accrued Wages and Benefits	181,720	31,945	26,848	13,496	59,766	54,135
Due to Other Funds	0	0	0	0	0	0
Due to Other Governments	19,624	0	1,176	40,508	0	146
Unearned Revenue	0	0	2,097	0	0	0
Deferred Revenue	2,258,789	1,354,098	1,047,019	481,437	0	0
Accrued Interest Payable	0	0	0	0	0	0
Notes Payable	0	0	0	0	0	0
Payable from Restricted Assets	<u>0</u>	<u>14,496</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,736,039</u>	<u>1,425,335</u>	<u>1,274,393</u>	<u>538,823</u>	<u>59,766</u>	<u>90,725</u>
Fund Balances						
Reserved for Encumbrances	234,244	67,831	33,583	33,472	0	250,857
Reserved for Loans Receivable	0	0	0	0	0	0
Reserved for Inventories	15,840	141,925	0	0	0	0
Reserved for Prepays	57,504	8,662	2,269	629	0	8,991
Reserved for Debt Service	0	0	0	0	0	0
Unreserved:						
Designated:						
For Public Facilities and Programs	0	0	0	1,866,936	0	0
Undesignated (Deficit), Reported in:						
General Fund	8,128,983	0	0	0	0	0
Special Revenue Funds	0	490,900	807,050	4,713,428	154,005	182,457
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances (Deficit)</i>	<u>8,436,571</u>	<u>709,318</u>	<u>842,902</u>	<u>6,614,465</u>	<u>154,005</u>	<u>442,305</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,172,610</u>	<u>\$2,134,653</u>	<u>\$2,117,295</u>	<u>\$7,153,288</u>	<u>\$213,771</u>	<u>\$533,030</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, 2005*

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$2,639,799	\$1,617,691	\$17,438,045
0	438,007	2,934,386
0	0	1,528,942
0	0	51,236
0	442	146,781
0	513,073	513,073
0	1,119	199,771
98,965	824,131	1,907,440
<u>98,965</u>	<u>1,776,772</u>	<u>7,281,629</u>
0	0	2,598,546
67,500	234,177	2,190,515
0	0	157,765
0	168	78,223
0	<u>120,050</u>	<u>135,046</u>
<u>\$2,806,264</u>	<u>\$3,748,858</u>	<u>\$29,879,769</u>
\$4,997	\$92,990	\$307,549
250,908	79,475	658,602
0	300,025	667,935
0	200,000	200,000
0	0	61,454
21,387	0	23,484
98,965	1,322,920	6,563,228
31,360	0	31,360
3,920,000	0	3,920,000
0	50	14,546
<u>4,327,617</u>	<u>1,995,460</u>	<u>12,448,158</u>
989,442	452,756	2,062,185
0	513,073	513,073
0	0	157,765
0	168	78,223
0	39,179	39,179
0	0	1,866,936
0	0	8,128,983
0	748,222	7,096,062
(2,510,795)	<u>0</u>	<u>(2,510,795)</u>
<u>(1,521,353)</u>	<u>1,753,398</u>	<u>17,431,611</u>
<u>\$2,806,264</u>	<u>\$3,748,858</u>	<u>\$29,879,769</u>

Total Governmental Fund Balances \$17,431,611

*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 20,610,915

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

Special Assessments	1,907,440
Delinquent Property Taxes	148,625
Intergovernmental	1,150,852
Municipal Income Taxes	<u>481,437</u>

Total 3,688,354

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. 711,376

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due (12,639)

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	(2,235,000)
Special Assessment Bonds	(550,000)
OPWC Loans	(395,761)
Note Premium	0
Compensated Absences	<u>(845,498)</u>

Total (4,026,259)

Net Assets of Governmental Activities \$38,403,358

City of Kent, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Construction, Maintenance and Repair	Parks and Recreation	Income Tax	Income Tax Safety	Fire and Emergency Medical Services
Revenues						
Property and Other Local Taxes	\$1,564,771	\$0	\$904,635	\$0	\$0	\$0
Income Taxes	0	0	0	10,142,768	0	0
Charges for Services	1,078,312	2,033	377,675	0	0	0
Fees, Licenses and Permits	217,271	0	14,940	0	0	0
Fines and Forfeitures	265,368	0	0	0	0	0
Intergovernmental	2,300,672	680,726	103,100	0	16,118	0
Special Assessments	0	76,623	0	0	0	0
Interest	461,320	0	0	67,077	0	0
Miscellaneous	27,557	2,621	28,675	10	0	876
<i>Total Revenues</i>	<u>5,915,271</u>	<u>762,003</u>	<u>1,429,025</u>	<u>10,209,855</u>	<u>16,118</u>	<u>876</u>
Expenditures						
Current:						
Security of Persons and Property	3,672,943	0	0	0	2,331,774	2,116,131
Public Health and Welfare	429,738	0	0	0	0	0
Leisure Time Activities	0	0	1,141,268	0	0	0
Community Development	1,132,650	0	0	0	0	0
Transportation	0	1,356,376	0	0	0	0
General Government	1,995,378	0	0	569,524	0	0
Capital Outlay	603,409	150,287	461,878	0	0	16,220
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	<u>7,834,118</u>	<u>1,506,663</u>	<u>1,603,146</u>	<u>569,524</u>	<u>2,331,774</u>	<u>2,132,351</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,918,847)</u>	<u>(744,660)</u>	<u>(174,121)</u>	<u>9,640,331</u>	<u>(2,315,656)</u>	<u>(2,131,475)</u>
Other Financing Sources (Uses)						
Transfers In	1,900,000	883,600	300,000	30,000	2,348,752	2,348,752
Transfers Out	(300,000)	0	0	(9,115,581)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,600,000</u>	<u>883,600</u>	<u>300,000</u>	<u>(9,085,581)</u>	<u>2,348,752</u>	<u>2,348,752</u>
<i>Net Change in Fund Balances</i>	(318,847)	138,940	125,879	554,750	33,096	217,277
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>8,755,418</u>	<u>570,378</u>	<u>717,023</u>	<u>6,059,715</u>	<u>120,909</u>	<u>225,028</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$8,436,571</u>	<u>\$709,318</u>	<u>\$842,902</u>	<u>\$6,614,465</u>	<u>\$154,005</u>	<u>\$442,305</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, 2005*

Capital Projects	Other Governmental Funds	Total Governmental Funds		
			Net Change in Fund Balances - Total Governmental Funds	\$952,462
			<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$0	\$529,167	\$2,998,573	Governmental funds report capital outlays as expenditures.	
0	0	10,142,768	However, in the statement of activities, the cost of those assets	
0	0	1,458,020	are allocated over their estimated useful lives as depreciation	
0	116,243	348,454	expense. This is the amount by which capital outlays exceeded	
0	104,476	369,844	depreciation in the current period.	
55,013	832,681	3,988,310	Capital Outlay	2,714,605
6,185	80,410	163,218	Depreciation	<u>(1,253,227)</u>
0	44,754	573,151	Total	1,461,378
248	37,445	97,432		
61,446	1,745,176	20,139,770	The net effect of various miscellaneous transactions involving	
			capital assets (i.e., sales, trade-ins and donations) is to	
			increase net assets.	637,661
0	454,073	8,574,921	Revenues in the statement of activities that do not provide current	
0	116,143	545,881	financial resources are not reported as revenues in the funds.	
0	0	1,141,268	Delinquent Property Taxes	23,854
0	703,448	1,836,098	Intergovernmental	(23,298)
0	44,355	1,400,731	Special Assessments	(160,685)
0	3,370	2,568,272	Income Tax	<u>6,829</u>
1,286,500	196,311	2,714,605	Total	(153,300)
0	188,947	188,947	Repayment of bond and loan principal is an expenditure in the	
94,080	152,505	246,585	governmental funds, but the repayment reduces long-term	
			liabilities in the statement of net assets.	188,947
1,380,580	1,859,152	19,217,308	In the statement of activities, interest is accrued on outstanding	
			bonds, whereas in governmental funds, an interest expenditure	
(1,319,134)	(113,976)	922,462	is reported when due.	633
1,500,000	268,077	9,579,181	Compensated absences reported in the statement of activities	
0	(133,600)	(9,549,181)	do not require the use of current financial resources and	
			therefore are not reported as expenditures in governmental	
1,500,000	134,477	30,000	funds.	(20,575)
180,866	20,501	952,462	The internal service fund used by management to charge the costs	
(1,702,219)	1,732,897	16,479,149	of insurance to individual funds is not reported in entity-wide	
			statement of activities. Governmental expenditures and related	
(\$1,521,353)	\$1,753,398	\$17,431,611	internal service fund revenues are eliminated. The net revenue	
			(expense) of the internal service fund is allocated among the	
			governmental activities.	<u>(4,854)</u>
			<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$3,062,352</u></u>

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$1,572,216	\$1,549,216	\$1,559,722	\$10,506
Fees, Licenses and Permits	94,000	204,000	219,061	15,061
Intergovernmental	2,011,600	2,101,640	2,144,543	42,903
Charges for Services	789,000	1,039,000	1,082,733	43,733
Fines and Forfeits	320,000	270,000	266,996	(3,004)
Interest	225,000	380,000	381,184	1,184
Miscellaneous	610	3,610	27,401	23,791
Total Revenues	5,012,426	5,547,466	5,681,640	134,174
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	3,921,920	3,921,920	3,817,152	104,768
Public Health and Welfare				
Department of Health	471,173	472,393	440,589	31,804
Community Development				
Department of Community Development	1,242,683	1,247,013	1,129,616	117,397
General Government				
Office of City Manager	304,284	304,284	235,932	68,352
Office of Council	237,334	241,334	220,952	20,382
Office of Civil Service	83,654	83,654	79,250	4,404
Department of Law	370,339	377,114	377,030	84
Department of Public Services	788,306	811,706	746,950	64,756
Department of Budget and Finance	480,317	448,167	338,822	109,345
Total General Government	2,264,234	2,266,259	1,998,936	267,323
Capital Outlays	425,000	811,881	414,911	396,970
Total Expenditures	8,325,010	8,719,466	7,801,204	918,262
Excess of Revenues Under Expenditures	(3,312,584)	(3,172,000)	(2,119,564)	1,052,436
Other Financing Sources (Uses)				
Sale of Capital Asset	4,390	4,390	2,500	(1,890)
Transfers in	1,900,000	1,900,000	1,900,000	0
Advances in	0	1,200,000	1,200,000	0
Advances out	0	(300,000)	(300,000)	0
Net Other Financing Sources (Uses)	1,904,390	2,804,390	2,802,500	(1,890)
Net Change in Fund Balance	(1,408,194)	(367,610)	682,936	1,050,546
Recovery of Prior Year Encumbrances	0	0	382,364	382,364
Fund Balance Beginning of Year	5,957,350	5,957,350	5,957,350	0
Fund Balance End of Year	\$4,549,156	\$5,589,740	\$7,022,650	\$1,432,910

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$592,000	\$672,000	\$723,607	\$51,607
Charges for Services	3,500	3,500	2,160	(1,340)
Special Assessments	72,467	72,467	74,090	1,623
Miscellaneous	7,533	7,533	7,913	380
Total Revenues	675,500	755,500	807,770	52,270
Expenditures				
Current:				
Transportation				
Department of Public Services	1,425,309	1,428,022	1,387,654	40,368
Capital Outlays	150,000	150,287	150,287	0
Total Expenditures	1,575,309	1,578,309	1,537,941	40,368
Excess of Revenues Under Expenditures	(899,809)	(822,809)	(730,171)	92,638
Other Financing Sources				
Transfers In	885,000	885,000	883,600	(1,400)
Net Change in Fund Balance	(14,809)	62,191	153,429	91,238
Recovery of Prior Year Encumbrances	0	0	2,794	2,794
Fund Balance Beginning of Year	236,309	236,309	236,309	0
Fund Balance End of Year	\$221,500	\$298,500	\$392,532	\$94,032

See accompanying notes to the basic financial statements

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$927,976	\$904,976	\$904,635	(\$341)
Fees, Licenses and Permits	0	0	14,940	14,940
Intergovernmental	82,000	103,992	103,705	(287)
Charges for Services	276,300	337,300	385,922	48,622
Miscellaneous	20,500	20,500	27,939	7,439
Total Revenues	1,306,776	1,366,768	1,437,141	70,373
Expenditures				
Current:				
Leisure Time Activities				
Department of Parks and Recreation	1,152,726	1,226,226	1,154,799	71,427
Capital Outlays	266,191	567,691	485,986	81,705
Total Expenditures	1,418,917	1,793,917	1,640,785	153,132
Excess of Revenues Over (Under) Expenditures	(112,141)	(427,149)	(203,644)	223,505
Other Financing Sources				
Transfers in	10,000	300,000	300,000	0
Net Change in Fund Balance	(102,141)	(127,149)	96,356	223,505
Recovery of Prior Year Encumbrances	0	0	12,873	12,873
Fund Balance Beginning of Year	721,007	721,007	721,007	0
Fund Balance End of Year	\$618,866	\$593,858	\$830,236	\$236,378

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, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$10,200,000	\$10,200,000	\$10,305,382	\$105,382
Interest	40,000	40,000	69,752	29,752
Miscellaneous	0	0	10	10
Total Revenues	10,240,000	10,240,000	10,375,144	135,144
Expenditures				
Current:				
General Government				
Department of Budget and Finance	819,823	932,559	705,481	227,078
Excess of Revenues Over Expenditures	9,420,177	9,307,441	9,669,663	362,222
Other Financing Sources (Uses)				
Transfers In	30,000	30,000	30,000	0
Transfers Out	(9,238,317)	(9,115,581)	(9,115,581)	0
Net Other Financing Sources (Uses)	(9,208,317)	(9,085,581)	(9,085,581)	0
Net Change in Fund Balance	211,860	221,860	584,082	362,222
Recovery of Prior Year Encumbrances	0	0	7,978	7,978
Fund Balance Beginning of Year	2,709,604	2,709,604	2,709,604	0
Fund Balance End of Year	\$2,921,464	\$2,931,464	\$3,301,664	\$370,200

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$0	\$0	\$17,569	\$17,569
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	2,430,832	2,374,464	2,344,848	29,616
Excess of Revenues Under Expenditures	(2,430,832)	(2,374,464)	(2,327,279)	47,185
Other Financing Sources				
Transfers In	2,405,120	2,348,752	2,348,752	0
Net Change in Fund Balance	(25,712)	(25,712)	21,473	47,185
Fund Balance Beginning of Year	192,291	192,291	192,291	0
Fund Balance End of Year	\$166,579	\$166,579	\$213,764	\$47,185

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$0	\$0	\$177	\$177
Miscellaneous	0	0	1,375	1,375
Total Revenues	0	0	1,552	1,552
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	2,218,572	2,222,204	2,150,673	71,531
Capital Outlays	192,397	192,397	128,220	64,177
Total Expenditures	2,410,969	2,414,601	2,278,893	135,708
Excess of Revenues Under Expenditures	(2,410,969)	(2,414,601)	(2,277,341)	137,260
Other Financing Sources				
Transfers In	2,405,120	2,348,722	2,348,752	30
Net Change in Fund Balance	(5,849)	(65,879)	71,411	137,290
Recovery of Prior Year Encumbrances	0	0	15,672	15,672
Fund Balance Beginning of Year	154,127	154,127	154,127	0
Fund Balance End of Year	\$148,278	\$88,248	\$241,210	\$152,962

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	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	\$2,056,964	\$2,387,415	\$273,484	\$1,696,017	\$6,413,880	\$2,091
Restricted Assets:						
Cash and Cash Equivalents	0	425	0	0	425	0
Receivables:						
Interest Receivable	18,510	16,449	0	0	34,959	0
Accounts Receivable	578,890	702,701	120,191	49,929	1,451,711	0
Other Receivable	0	139,478	0	0	139,478	0
Utilization Fee Receivable	52,134	123,905	0	0	176,039	0
Special Assessments Receivable	366,753	509,151	0	21,900	897,804	0
Less Allowance for Doubtful Accounts	(109,698)	(135,034)	(6,548)	(6,091)	(257,371)	0
Receivables, Net	906,589	1,356,650	113,643	65,738	2,442,620	0
Due from Other Governments	574	647,693	12,500	5,924	666,691	0
Inventories	15,311	11,772	0	0	27,083	0
Prepaid Items	14,359	6,959	83	403	21,804	0
<i>Total Current Assets</i>	<u>2,993,797</u>	<u>4,410,914</u>	<u>399,710</u>	<u>1,768,082</u>	<u>9,572,503</u>	<u>2,091</u>
<i>Noncurrent Assets</i>						
Cash Surrender Value of Life Insurance Policies	0	0	0	0	0	895,955
Capital Assets, Non-Depreciable	1,925,087	1,918,361	0	204,339	4,047,787	0
Capital Assets, Depreciable, Net	13,809,101	27,361,858	2,854	10,026,014	51,199,827	0
<i>Total Noncurrent Assets</i>	<u>15,734,188</u>	<u>29,280,219</u>	<u>2,854</u>	<u>10,230,353</u>	<u>55,247,614</u>	<u>898,046</u>
<i>Total Assets</i>	<u>18,727,985</u>	<u>33,691,133</u>	<u>402,564</u>	<u>11,998,435</u>	<u>64,820,117</u>	<u>900,137</u>
Liabilities						
<i>Current Liabilities</i>						
Accounts Payable	65,134	49,332	19,036	0	133,502	36,342
Capital Contracts Payable	66,977	2,388	0	18,507	87,872	0
Claims Payable	0	0	0	0	0	208,080
Accrued Wages and Benefits	60,690	71,625	1,851	0	134,166	0
Due to Other Governments	0	1,475	0	0	1,475	0
Due to Other Funds	512,100	428,980	481,466	976,000	2,398,546	0
Unearned Revenue	0	16,422	0	0	16,422	0
Accrued Interest Payable	1,156	24,080	0	0	25,236	0
Notes Payable	0	3,010,000	0	0	3,010,000	0
Payable from Restricted Assets	0	425	0	0	425	0
Compensated Absences Payable	88,018	109,747	3,705	0	201,470	0
OWDA Loans	18,124	207,746	0	0	225,870	0
<i>Total Current Liabilities</i>	<u>812,199</u>	<u>3,922,220</u>	<u>506,058</u>	<u>994,507</u>	<u>6,234,984</u>	<u>244,422</u>
<i>Long-Term Liabilities</i>						
Compensated Absences Payable	3,000	2,297	999	0	6,296	0
OWDA Loans	433,388	3,751,373	0	0	4,184,761	0
<i>Total Long-Term Liabilities</i>	<u>436,388</u>	<u>3,753,670</u>	<u>999</u>	<u>0</u>	<u>4,191,057</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,248,587</u>	<u>7,675,890</u>	<u>507,057</u>	<u>994,507</u>	<u>10,426,041</u>	<u>244,422</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt Unrestricted	15,282,676	22,290,572	2,854	10,230,353	47,806,455	0
	2,196,722	3,724,671	(107,347)	773,575	6,587,621	653,624
<i>Total Net Assets</i>	<u>\$17,479,398</u>	<u>\$26,015,243</u>	<u>(\$104,493)</u>	<u>\$11,003,928</u>		<u>\$653,624</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. (57,752)
\$54,336,324

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, 2005*

	Business-Type Activities				Total	Governmental Activities - Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water Drainage		
Operating Revenues						
Charges for Services	\$2,817,816	\$3,519,931	\$390,057	\$538,781	\$7,266,585	\$2,445,479
Miscellaneous	33,521	13,201	0	0	46,722	0
<i>Total Operating Revenues</i>	<u>2,851,337</u>	<u>3,533,132</u>	<u>390,057</u>	<u>538,781</u>	<u>7,313,307</u>	<u>2,445,479</u>
Operating Expenses						
Personal Services	1,177,707	1,395,393	43,428	0	2,616,528	0
Benefits	457,130	525,706	12,916	0	995,752	0
Utilities	220,457	273,034	0	0	493,491	0
Contractual Services	143,001	246,228	304,452	23,428	717,109	0
Materials and Supplies	317,587	208,939	1,066	356	527,948	0
Claims	0	0	0	0	0	2,143,816
Premiums	0	0	0	0	0	363,706
Other Operating Expenses	13,091	20,643	415	1,357	35,506	0
Depreciation	584,012	757,127	436	191,317	1,532,892	0
<i>Total Operating Expenses</i>	<u>2,912,985</u>	<u>3,427,070</u>	<u>362,713</u>	<u>216,458</u>	<u>6,919,226</u>	<u>2,507,522</u>
<i>Operating Income (Loss)</i>	<u>(61,648)</u>	<u>106,062</u>	<u>27,344</u>	<u>322,323</u>	<u>394,081</u>	<u>(62,043)</u>
Non Operating Revenues (Expenses)						
Intergovernmental	627	12,730	12,500	0	25,857	0
Interest	69,840	93,722	0	61,966	225,528	41,877
Interest and Fiscal Charges	(16,691)	(76,469)	0	0	(93,160)	0
<i>Total Non Operating Revenues (Expenses)</i>	<u>53,776</u>	<u>29,983</u>	<u>12,500</u>	<u>61,966</u>	<u>158,225</u>	<u>41,877</u>
<i>Income (Loss) Before Contributions and Transfers</i>						
	(7,872)	136,045	39,844	384,289	552,306	(20,166)
Capital Contributions from Tap-in Fees	160,651	195,157	0	0	355,808	0
Capital Contributions from Special Assessments	93,915	122,445	0	0	216,360	0
Capital Contributions from Developers	336,203	415,215	0	426,493	1,177,911	0
Capital Grants	0	439,277	0	0	439,277	0
Transfers Out	0	0	0	(30,000)	(30,000)	0
<i>Change in Net Assets</i>	<u>582,897</u>	<u>1,308,139</u>	<u>39,844</u>	<u>780,782</u>	<u>2,711,662</u>	<u>(20,166)</u>
<i>Net Assets Beginning of Year - Restated - (See Note 3)</i>	<u>16,896,501</u>	<u>24,707,104</u>	<u>(144,337)</u>	<u>10,223,146</u>		<u>673,790</u>
<i>Net Assets End of Year</i>	<u>\$17,479,398</u>	<u>\$26,015,243</u>	<u>(\$104,493)</u>	<u>\$11,003,928</u>		<u>\$653,624</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.

(15,312)
\$2,696,350

See accompanying notes to the basic financial statements

City of Kent, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities				Total	Governmental
	Water	Sewer	Solid Waste	Storm Water Drainage		Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$2,799,610	\$3,487,890	\$372,507	\$535,977	\$7,195,984	\$2,445,479
Cash Payments for Employee Services and Benefits	(1,640,340)	(1,941,656)	(54,239)	0	(3,636,235)	0
Cash Payments to Suppliers for Goods and Services	(667,500)	(700,453)	(303,403)	(24,437)	(1,695,793)	(2,509,958)
Other Operating Revenues	33,521	13,201	0	0	46,722	0
Other Operating Expenses	(13,091)	(20,643)	(415)	(1,357)	(35,506)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	512,200	838,339	14,450	510,183	1,875,172	(64,479)
Cash Flows from Noncapital Financing Activities						
Transfers In	0	0	0	0	0	0
Intergovernmental	999	7,627	12,947	0	21,573	0
Transfers Out	0	(1,200,000)	0	(30,000)	(1,230,000)	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	999	(1,192,373)	12,947	(30,000)	(1,208,427)	0
Cash Flows from Capital and Related Financing Activities						
Acquisition of Capital Assets	(600,060)	(3,266,583)	0	(473,546)	(4,340,189)	0
Capital Grants	0	343,536	0	0	343,536	0
Proceeds of Notes	0	3,010,000	0	0	3,010,000	0
Premium on Notes	0	20,528	0	0	20,528	0
Proceeds of Loans	54,625	1,427,450	0	0	1,482,075	0
Principal Paid on OWDA Loans	(16,113)	0	0	0	(16,113)	0
Interest Paid on OWDA Loans	(15,535)	0	0	0	(15,535)	0
Special Assessments	27,619	50,235	0	1,278	79,132	0
Tap-In Fees	157,123	187,023	0	0	344,146	0
Principal Paid on Notes	0	(3,610,000)	0	0	(3,610,000)	0
Interest Paid on Notes	0	(98,999)	0	0	(98,999)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(392,341)	(1,936,810)	0	(472,268)	(2,801,419)	0
Cash Flows from Investing Activities						
Payments for Investments	0	0	0	0	0	(27,848)
Interest on Investments	60,352	84,735	0	61,966	207,053	41,877
<i>Net Cash Provided by Investing Activities</i>	60,352	84,735	0	61,966	207,053	14,029
Net Increase (Decrease) in Cash and Cash Equivalents	181,210	(2,206,109)	27,397	69,881	(1,927,621)	(50,450)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,875,754	4,593,524	246,087	1,626,136	8,341,501	52,541
<i>Cash and Cash Equivalents End of Year</i>	\$2,056,964	\$2,387,415	\$273,484	\$1,696,017	\$6,413,880	\$2,091

(continued)

City of Kent, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2005

	Business-Type Activities				Total	Governmental Activities -
	Water	Sewer	Solid Waste	Storm Water Drainage		Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities						
Operating Income (Loss)	(\$61,648)	\$106,062	\$27,344	\$322,323	\$394,081	(\$62,043)
<i>Adjustments:</i>						
Depreciation	584,012	757,127	436	191,317	1,532,892	0
(Increase) Decrease in Assets:						
Accounts Receivable	(11,774)	(22,512)	(17,550)	(2,804)	(54,640)	0
Materials and Supplies Inventory	(2,594)	(550)	0	0	(3,144)	0
Prepaid Items	(9,089)	13,929	11	(3)	4,848	0
Increase (Decrease) in Liabilities:						
Accounts Payable	25,366	13,322	2,104	(650)	40,142	11,467
Claims Payable	0	0	0	0	0	(13,903)
Accrued Wages	(10,183)	(21,426)	(521)	0	(32,130)	0
Compensated Absences Payable	4,761	950	2,626	0	8,337	0
Due to Other Governments	(6,651)	(8,563)	0	0	(15,214)	0
<i>Total Adjustments</i>	573,848	732,277	(12,894)	187,860	1,481,091	(2,436)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$512,200</u>	<u>\$838,339</u>	<u>\$14,450</u>	<u>\$510,183</u>	<u>\$1,875,172</u>	<u>(\$64,479)</u>
Noncash Capital Financing Activities						
Infrastructure Contributions from Developers	336,203	415,215	0	426,493		
See accompanying notes to the basic financial statements						

City of Kent, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Escrow Fund
December 31, 2005

Assets

Cash and Cash Equivalents	<u>\$549,609</u>
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Liabilities

Accounts Payable	<u>\$549,609</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, 2005

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, 2005

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, 2005

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.

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

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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.

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

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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.

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

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 2005 amounted to \$461,320, which includes \$209,169 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, 2005

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount 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 2005. 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:

<u>Description</u>	<u>Estimated Lives</u>
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 2006.

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, 2005

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, 2005

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 2005.

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, 2005

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 – Changes in Accounting Principles and Restatement of Prior Year Fund Balances and Net Assets

Changes in Accounting Principles. For 2005, the City has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”. GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and No. 42 did not affect the presentation of the financial statements of the City. However, additional note disclosures have been provided as a result of GASB No. 40 (see Note 6 – Deposits and Investments).

Restatement of Prior Year Fund Balances and Net Assets. It was determined that adjustments were required in the following categories: due from other governments, accrued wages and benefits, unearned revenue and deferred revenue. Corrections of these items had the following effects on fund balances of the major and nonmajor funds of the City that were previously reported.

	General	Street Construction, Maintenance and Repair	Parks and Recreation	Income Tax
Fund Balance (Deficit), December 31, 2004	\$8,863,683	\$589,578	\$734,407	\$6,066,426
Accrued Wages and Benefits	<u>(108,265)</u>	<u>(19,200)</u>	<u>(17,384)</u>	<u>(6,711)</u>
Restated Fund Balance (Deficit), December 31, 2004	<u>\$8,755,418</u>	<u>\$570,378</u>	<u>\$717,023</u>	<u>\$6,059,715</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

	Income Tax Safety	Fire and Emergency Medical Services	Capital Projects	Nonmajor
Fund Balance (Deficit), December 31, 2004	\$171,265	\$270,197	(\$1,675,489)	\$1,748,514
Due from Other Governments	0	0	0	(64,223) *
Unearned Revenue (Premium on Note)	0	0	(26,730)	0
Deferred Revenue	0	0	0	51,736 *
Accrued Wages and Benefits	<u>(50,356)</u>	<u>(45,169)</u>	<u>0</u>	<u>(3,130)</u>
Restated Fund Balance (Deficit), December 31, 2004	<u>\$120,909</u>	<u>\$225,028</u>	<u>(\$1,702,219)</u>	<u>\$1,732,897</u>

* Both of these adjustments relate to the overstatement of license tax.

The corrections to due from other governments and accrued wages and benefits had the following effect on net assets at December 31, 2004. The transition from governmental fund balances to net assets of governmental activities is also presented.

	Governmental Activities
Net Assets, December 31, 2004, as previously reported:	\$35,542,847
Due from Other Governments	(64,223)
Accrued Wages and Benefits	<u>(137,618)</u>
Restated Net Assets, December 31, 2004	<u>\$35,341,006</u>

	Business-Type Activities		
	Water	Sewer	Solid Waste
Net Assets, December 31, 2004, as Previously reported:	\$16,915,782	\$24,729,889	(\$143,729)
Accrued Wages and Benefits	<u>(19,281)</u>	<u>(22,785)</u>	<u>(608)</u>
Restated Net Assets, December 31, 2004	<u>\$16,896,501</u>	<u>\$24,707,104</u>	<u>(\$144,337)</u>

Note 4 – Accountability and Compliance

Fund Deficits

Notes payable of \$3,920,000 caused a deficit fund balance of \$1,521,353 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

City of Kent, Ohio
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For the Year Ended December 31, 2005

\$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 combination of increased revenues and revised service levels, has resulted in a reduction of the deficit net assets over the last several years. The current year increase in net assets of \$39,844 reduces the deficit to \$104,493 at December 31, 2005.

Note 5 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balances/net assets 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, Parks and Recreation, 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 budgetary basis statements to the GAAP basis statements for the General fund and for the five major special revenue funds.

	General	Street Construction, Maintenance and Repair	Parks and Recreation	Income Tax	Income Tax Safety	Fire and Emergency Medical Services
Fund Balance - Budget Basis	\$7,022,650	\$392,532	\$830,236	\$3,301,664	\$213,764	\$241,210
Net Adjustment						
Revenue Accruals	3,574,409	1,485,690	1,054,786	3,778,015	7	369
Deferred Revenue	(2,258,789)	(1,354,098)	(1,049,116)	(481,437)	0	0
Expenditure Accruals	(477,250)	(56,741)	(225,277)	(57,386)	(59,766)	(90,725)
Inventories/Prepays	73,344	150,587	2,269	629	0	8,991
Investment Valuation	0	0	0	36,100	0	0
Encumbrances	502,207	91,348	230,004	36,880	0	282,460
Fund Balance - GAAP Basis	<u>\$8,436,571</u>	<u>\$709,318</u>	<u>\$842,902</u>	<u>\$6,614,465</u>	<u>\$154,005</u>	<u>\$442,305</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 6 - Deposits and Investments

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;
- 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).

Cash on Hand

At December 31, 2005, the City had \$1,055 in undeposited cash on hand, which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposit may not be returned. The City's policy is to place deposits with major local banks approved by the City Council. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve Bank in the name of the City.

At December 31, 2005, the carrying value of the City's deposits was \$24,140,941, of which \$23,069,232 was non-negotiable certificates of deposit. The cash balances per the banks were \$26,088,556, of which \$700,000 was insured by Federal depository insurance. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$110,189 was uninsured and collateralized with securities held at a Federal Reserve Bank in the name of the City, and \$25,278,367 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments

The City follows GASB Statement, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all of its investments at fair value. At December 31, 2005, fair value was \$36,100 above the City's net cost for investments. Fair value is determined by quoted market prices and acceptable other pricing methodologies.

Interest Rate Risk. As a means of limiting its exposure to fair value of losses caused by rising interest rates, the City generally requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt obligations. The City holds one investment which matures on December 1, 2020. The \$397,100 investment in City of Kent Special Assessment Bonds was specifically approved by the Treasury Investment Board.

Credit Risk. The City's investment in City of Kent Assessment Bonds was not specifically rated; however, the City was rated Aa3 by Moody's Investors Services as of our last review. The City has no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating *</u>	<u>Investment Maturity</u>
City of Kent Assessment Bonds	<u>\$397,100</u>	Aa3	December 1, 2020

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments to the Statement of Net Assets as of December 31, 2005.

Investments	\$397,100
Carrying amount of the City's Deposits	24,140,941
Cash on Hand	1,055
Total	\$24,539,096
 <i>Governmental Activities</i>	
Governmental Funds	
Equity in Pooled Cash and Cash Equivalents	\$17,040,945
Restricted Cash	135,046
Investments	397,100
Internal Service Funds	
Equity in Pooled Cash and Cash Equivalents	2,091
Total Governmental Activities	17,575,182
 <i>Business-Type Activities</i>	
Enterprise Funds	
Equity in Pooled Cash and Cash Equivalents	6,413,880
Restricted Cash	425
Total Business-Type Activities	6,414,305
 <i>Agency Funds</i>	
Total	549,609
 Total	
	\$24,539,096

Note 7 - Income Taxes

During 2005, 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 2005 levy was based was \$353,528,798.

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 2005.

City of Kent, Ohio
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For the Year Ended December 31, 2005

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.

Note 9 – Interfund Balances and Transfers

As of December 31, 2005, 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	\$151,466	\$0	\$151,466	\$351,466
Income Tax	0	512,100	428,980	330,000	976,000	2,247,080	2,247,080
Total	<u>\$200,000</u>	<u>\$512,100</u>	<u>\$428,980</u>	<u>\$481,466</u>	<u>\$976,000</u>	<u>\$2,398,546</u>	<u>\$2,598,546</u>

Interfund balances are used primarily to provide capital to expand the utility infrastructure which facilitates new development. The balances are also used to provide the initial cash for expenditure driven grant funds.

Transfers made during the year ended December 31, 2005 were as follows:

	TRANSFERS OUT					
	<i>Governmental Activities</i>			<i>Business-Type Activities</i>		
	General	Income Tax	License Tax	Total	Storm Water Drainage	Total
TRANSFERS IN						
<i>Governmental Activities</i>						
General	\$0	\$1,900,000	\$0	\$1,900,000	\$0	\$1,900,000
Street Construction, Maintenance and Repair	0	750,000	133,600	883,600	0	883,600
Income Tax	0	0	0	0	30,000	30,000
Income Tax Safety	0	2,348,752	0	2,348,752	0	2,348,752
Fire and Emergency						
Medical Services	0	2,348,752	0	2,348,752	0	2,348,752
Capital Projects	0	1,500,000	0	1,500,000	0	1,500,000
Nonmajor	300,000	268,077	0	568,077	0	568,077
Total Governmental Activities	<u>\$300,000</u>	<u>\$9,115,581</u>	<u>\$133,600</u>	<u>\$9,549,181</u>	<u>\$30,000</u>	<u>\$9,579,181</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, 2005

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 Companion Life Insurance.

The claims liability of \$208,080 reported in the fund at December 31, 2005, 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 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	118,067	2,034,716	1,930,800	221,983
2005	221,983	2,143,816	2,157,719	208,080

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 2005, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
The Clarendon National Insurance Company	Public Officials Liability	\$15,000
Scottsdale Insurance Company	Law Enforcement Liability	20,000
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	0
St. Paul Fire and Marine Insurance Company	Employee Benefit Plans Administration	
	Administration Liability	1,000
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, 2005

Note 11 - Capital Assets

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

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$2,978,403	\$844,595	\$0	\$3,822,998
Construction in Progress	1,729,158	1,242,255	(136,645)	2,834,768
<i>Total Capital Assets, Not Being Depreciated</i>	4,707,561	2,086,850	(136,645)	6,657,766
<i>Capital Assets, Being Depreciated:</i>				
Buildings, Structures and Improvements	10,689,385	34,400	0	10,723,785
Machinery and Equipment	8,817,953	594,956	(77,285)	9,335,624
Infrastructure:				
Roads	3,121,479	766,007	0	3,887,486
Traffic Signals	250,625	6,698	0	257,323
<i>Total Capital Assets, Being Depreciated</i>	22,879,442	1,402,061	(77,285)	24,204,218
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	(3,032,252)	(366,538)	0	(3,398,790)
Machinery and Equipment	(5,797,931)	(624,805)	77,285	(6,345,451)
Infrastructure:				
Roads	(237,305)	(247,568)	0	(484,873)
Traffic Signals	(7,639)	(14,316)	0	(21,955)
<i>Total Accumulated Depreciation</i>	(9,075,127)	(1,253,227) *	77,285	(10,251,069)
Total Capital Assets, Being Depreciated, Net	13,804,315	148,834	0	13,953,149
Governmental Activities Capital Assets, Net	\$18,511,876	\$2,235,684	(\$136,645)	\$20,610,915

* Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$474,693
Public Health and Welfare	2,170
Leisure Time Activities	63,911
Community Development	14,619
Transportation	546,719
General Government	151,115
Total Depreciation Expense	\$1,253,227

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$1,795,855	\$5,002	\$0	\$1,800,857
Construction in Progress	12,199,519	1,038,583	(10,991,172)	2,246,930
<i>Total Capital Assets, Not Being Depreciated</i>	<u>13,995,374</u>	<u>1,043,585</u>	<u>(10,991,172)</u>	<u>4,047,787</u>
Capital Assets, Being Depreciated:				
Buildings, Structures and Improvements	13,105,860	54,053	0	13,159,913
Machinery and Equipment	9,251,192	112,656	0	9,363,848
Infrastructure:				
Water Mains	11,399,639	2,284,798	0	13,684,437
Sanitary Sewers	15,047,786	10,818,657	0	25,866,443
Storm Water Drainage Lines	11,476,150	1,202,795	0	12,678,945
<i>Total Capital Assets, Being Depreciated</i>	<u>60,280,627</u>	<u>14,472,959</u>	<u>0</u>	<u>74,753,586</u>
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	(6,485,730)	(314,885)	0	(6,800,615)
Machinery and Equipment	(6,398,663)	(422,326)	0	(6,820,989)
Infrastructure:				
Water Mains	(3,556,177)	(223,984)	0	(3,780,161)
Sanitary Sewers	(3,078,902)	(385,442)	0	(3,464,344)
Storm Water Drainage Lines	(2,501,395)	(186,255)	0	(2,687,650)
<i>Total Accumulated Depreciation</i>	<u>(22,020,867)</u>	<u>(1,532,892) *</u>	<u>0</u>	<u>(23,553,759)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,259,760</u>	<u>12,940,067</u>	<u>0</u>	<u>51,199,827</u>
Business-Type Activities Capital Assets, Net	<u>\$52,255,134</u>	<u>\$13,983,652</u>	<u>(\$10,991,172)</u>	<u>\$55,247,614</u>

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

Business-Type Activities	
Water Fund	\$584,012
Sewer Fund	757,127
Solid Waste Fund	436
Storm Water Drainage Fund	191,317
	<u>\$1,532,892</u>

Note 12 - Pension and Other Post-employment Benefits

The City of Kent, as well as all of its employees, is 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, 2005

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.
- 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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 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 2005 member contribution rates were 8.5% for members in state and local classifications other than law enforcement and public safety. The 2005 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, 2005, 2004 and 2003 were \$851,092, \$841,818, and \$839,133, 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 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll, which amounted to \$251,118. In 2004 and 2003, the employer contribution rate for post-employment health care was 4.0% and 5.0%, respectively.

City of Kent, Ohio
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For the Year Ended December 31, 2005

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, 2004. 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 2004 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 at the projected wage inflation rate of 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advanced-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109 as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 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.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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, 2005, 2004 and 2003 were \$502,435, \$498,681 and \$492,091 for police and \$473,897, \$484,320 and \$464,249 for firefighters, respectively, which were equal to the required contributions for each year.

City of Kent, Ohio
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For the Year Ended December 31, 2005

The OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. 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 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 2004 and 2005. 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, 2004, (the latest actuarial valuation available) was 13,812 for police and 10,528 for firefighters. The portion of the City's contributions that was used to pay post-employment benefits was \$199,467 for police and \$153,069 for firefighters. The OP&F had total health care expenses for the year ended December 31, 2004, the date of the last actuarial valuation available, of \$102,173,796, which was net of member contributions of \$55,665,341.

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 \$984,732 as of December 31, 2005.

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 \$54,881 as of December 31, 2005.

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 \$13,650 as of December 31, 2005.

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 14 - Construction and Other Commitments

As of December 31, 2005, the City had capital contracts payable of \$658,602 and \$87,872 in governmental funds and enterprise funds, respectively.

	<u>Contract Amount</u>
Governmental	
Crain Avenue Bridge	\$193,967
Computer Aided Dispatch System	188,573
Future Park Development	169,619
Street and Sidewalk Program	56,940
Livescan Fingerprint Booking System	38,303
Fischcreek Parking Lot	11,200
	658,602
Business-Type	
Water Treatment Plant Addition	38,063
24" Redundant Water Line	21,683
Area Q Outfall	14,854
Various Water Projects	7,231
Various Sewer Projects	2,388
Various Storm Water Drainage Projects	3,653
	87,872
Total	\$746,474

The City had no material operating lease commitments at December 31, 2005.

Note 15 – Long-term Obligations

Changes in bonds and other long-term obligations of the City during 2005 were as follows:

	<u>Principal Outstanding 12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 12/31/05</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds:					
\$3,000,000 Various Purpose 1998 4.35% - 5.20%	\$2,355,000	\$0	\$120,000	\$2,235,000	\$130,000
Special Assessment Bonds:					
\$613,000 Street Improvements 1988 7.75% - 7.80%	95,000	0	20,000	75,000	25,000
\$561,000 Street Improvements 2000 5.50% - 6.00%	494,000	0	19,000	475,000	20,000
<i>Total Special Assessment Bonds</i>	589,000	0	39,000	550,000	45,000

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

	Principal Outstanding 12/31/04	Additions	Deletions	Principal Outstanding 12/31/05	Due Within One Year
Governmental Activities - continued					
Ohio Public Works Commission Loans					
\$512,940 Fairchild Avenue Improvements 1999 0.00%	359,058	0	25,647	333,411	25,647
\$86,000 Elm-Mae-Morris Improvements 2001 0.00%	66,650	0	4,300	62,350	4,300
<i>Total Ohio Public Works Commission Loans</i>	<u>425,708</u>	<u>0</u>	<u>29,947</u>	<u>395,761</u>	<u>29,947</u>
Compensated Absences	824,923	629,283	608,708	845,498	662,252
<i>Total Governmental Activities</i>	<u>\$4,194,631</u>	<u>\$629,283</u>	<u>\$797,655</u>	<u>\$4,026,259</u>	<u>\$867,199</u>
Business-Type Activities					
Ohio Water Development Authority Loans					
\$411,114 Kent-Ravenna Interconnect 2003 3.65%	\$443,380	\$24,245	\$16,113	\$451,512	\$18,124
\$630,488 Sanitary Sewer Improvements 2003 3.66%	2,294,345	1,664,774	0	3,959,119	207,746
<i>Total Ohio Water Development Authority Loans</i>	<u>2,737,725</u>	<u>1,689,019</u>	<u>16,113</u>	<u>4,410,631</u>	<u>225,870</u>
Compensated Absences	195,782	190,289	178,305	207,766	201,470
<i>Total Business-Type Activities</i>	<u>\$2,933,507</u>	<u>\$1,879,308</u>	<u>\$194,418</u>	<u>\$4,618,397</u>	<u>\$427,340</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Governmental Activities							
Years	General Obligation Bonds		Special Assessment Bonds		OPWC	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
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	155,000	85,937	25,000	23,035	29,947	209,947	108,972
2011-2015	885,000	308,771	153,000	90,960	149,735	1,187,735	399,731
2016-2020	645,000	68,120	208,000	38,940	96,291	949,291	107,060
Total	<u>\$2,235,000</u>	<u>\$870,593</u>	<u>\$550,000</u>	<u>\$269,370</u>	<u>\$395,761</u>	<u>\$3,180,761</u>	<u>\$1,139,963</u>

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Business-Type Activities				
Years	OWDA Loans		Total	
	Principal	Interest	Principal	Interest
2006	18,124	16,316	18,124	16,316
2007	18,791	15,649	18,791	15,649
2008	19,484	14,957	19,484	14,957
2009	20,201	14,239	20,201	14,239
2010	20,945	13,495	20,945	13,495
2011-2015	116,883	55,318	116,883	55,318
2016-2020	140,054	32,147	140,054	32,147
2023	97,030	6,291	97,030	6,291
Total	\$451,512	\$168,412	\$451,512	\$168,412

The general long-term obligation resulting from special assessment projects is 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.

For governmental activities, compensated absences are generally liquidated by the fund where the corresponding employee's salary expenditure is recorded, primarily the general and major special revenue funds.

The Ohio Water Development Authority loans reflect loan amounts outstanding as of December 31, 2005. The amount authorized but unissued was \$455,096 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, 2005 follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Governmental Activities				
Capital Projects Fund				
2004, 2.75%	\$4,170,000	\$0	\$4,170,000	\$0
2005, 4.00%	0	3,920,000	0	3,920,000
<i>Total Capital Projects Fund</i>	4,170,000	3,920,000	4,170,000	3,920,000
Business-Type Activities				
Sewer Fund				
2004, 2.75%	3,610,000	0	3,610,000	0
2005, 4.00%	0	3,010,000	0	3,010,000
<i>Total Sewer Fund</i>	3,610,000	3,010,000	3,610,000	3,010,000
Total	\$7,780,000	\$6,930,000	\$7,780,000	\$6,930,000

City of Kent, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

On October 19, 2005, the City issued \$6.93 million in various purpose notes at an interest rate of 4.0% with a maturity date of October 19, 2006. 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 \$47,262. A portion of the premium was offset against the corresponding interest expense, and the unamortized balance is reported as unearned revenue in the respective funds.

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, 2005</u>	<u>Year Issued</u>
Multi-Family Housing Revenue Bonds	Silver Meadows Apartments	<u>\$9,635,000</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 118 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 nine-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.

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.

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.

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.

(continued)

Nonmajor Special Revenue Funds (continued)

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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,578,512	\$39,179	\$1,617,691
Receivables:			
Property Taxes Receivable	438,007	0	438,007
Interest Receivable	442	0	442
Loans Receivable	513,073	0	513,073
Other Receivable	1,119	0	1,119
Special Assessment Receivable	0	824,131	824,131
Receivables, Net	<u>952,641</u>	<u>824,131</u>	<u>1,776,772</u>
Due from Other Governments	234,177	0	234,177
Prepaid Items	168	0	168
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>\$2,885,498</u></u>	<u><u>\$863,360</u></u>	<u><u>\$3,748,858</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$92,990	\$0	\$92,990
Capital Contracts Payable	79,475	0	79,475
Accrued Wages and Benefits	300,025	0	300,025
Due to Other Funds	200,000	0	200,000
Deferred Revenue	498,789	824,131	1,322,920
Payable from Restricted Asset	<u>0</u>	<u>50</u>	<u>50</u>
<i>Total Liabilities</i>	<u>1,171,279</u>	<u>824,181</u>	<u>1,995,460</u>
Fund Balances			
Reserved for Encumbrances	452,756	0	452,756
Reserved for Loans Receivable	513,073	0	513,073
Reserved for Prepays	168	0	168
Reserved for Debt Service	0	39,179	39,179
Unreserved, Undesignated			
Reported in:			
Special Revenue Funds	<u>748,222</u>	<u>0</u>	<u>748,222</u>
<i>Total Fund Balances</i>	<u>1,714,219</u>	<u>39,179</u>	<u>1,753,398</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$2,885,498</u></u>	<u><u>\$863,360</u></u>	<u><u>\$3,748,858</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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Property and Other Local Taxes	\$529,167	\$0	\$529,167
Charges for Services	0	0	0
Fees, Licenses and Permits	116,243	0	116,243
Fines and Forfeitures	104,476	0	104,476
Intergovernmental	832,681	0	832,681
Special Assessments	0	80,410	80,410
Interest	44,754	0	44,754
Miscellaneous	34,061	3,384	37,445
<i>Total Revenues</i>	<u>1,661,382</u>	<u>83,794</u>	<u>1,745,176</u>
Expenditures			
Current:			
Security of Persons and Property	454,073	0	454,073
Public Health and Welfare	116,143	0	116,143
Leisure Time Activities	0	0	0
Community Development	703,448	0	703,448
Transportation	44,355	0	44,355
General Government	0	3,370	3,370
Capital Outlay	196,311	0	196,311
Debt Service:			
Principal Retirement	0	188,947	188,947
Interest and Fiscal Charges	0	152,505	152,505
<i>Total Expenditures</i>	<u>1,514,330</u>	<u>344,822</u>	<u>1,859,152</u>
<i>Excess of Revenues Under Expenditures</i>	<u>147,052</u>	<u>(261,028)</u>	<u>(113,976)</u>
Other Financing Sources (Uses)			
Transfers In	12,000	256,077	268,077
Transfers Out	(133,600)	0	(133,600)
<i>Total Other Financing Sources (Uses)</i>	<u>(121,600)</u>	<u>256,077</u>	<u>134,477</u>
<i>Net Change in Fund Balances</i>	25,452	(4,951)	20,501
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>1,688,767</u>	<u>44,130</u>	<u>1,732,897</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,714,219</u></u>	<u><u>\$39,179</u></u>	<u><u>\$1,753,398</u></u>

City of Kent, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	West Side Fire	State Highway	Food Service	License Tax
Assets				
Equity in Pooled Cash and Cash Equivalents	\$18,925	\$33,036	\$23,022	\$0
Receivables:				
Property Taxes Receivable	231,141	0	0	0
Interest Receivable	0	0	0	0
Loans Receivable	0	0	0	0
Other Receivable	0	0	0	0
Receivables, Net	<u>231,141</u>	<u>0</u>	<u>0</u>	<u>0</u>
Due from Other Governments	16,362	40,320	0	8,865
Prepaid Items	44	0	0	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>\$266,472</u></u>	<u><u>\$73,356</u></u>	<u><u>\$23,022</u></u>	<u><u>\$8,865</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$818	\$0	\$0	\$0
Capital Contracts Payable	0	0	0	0
Accrued Wages and Benefits	0	0	614	0
Due to Other Funds	0	0	0	0
Due to Other Governments	0	0	0	0
Unearned Revenue	0	0	0	0
Deferred Revenue	<u>247,503</u>	<u>29,980</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>248,321</u>	<u>29,980</u>	<u>614</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	166	0	56	0
Reserved for Loans Receivable	0	0	0	0
Reserved for Prepays	44	0	0	0
Unreserved, Undesignated	<u>17,941</u>	<u>43,376</u>	<u>22,352</u>	<u>8,865</u>
<i>Total Fund Balances</i>	<u>18,151</u>	<u>43,376</u>	<u>22,408</u>	<u>8,865</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$266,472</u></u>	<u><u>\$73,356</u></u>	<u><u>\$23,022</u></u>	<u><u>\$8,865</u></u>

<u>Revolving Housing</u>	<u>State and Local Forfeits</u>	<u>Drug Law Enforcement</u>	<u>Enforcement and Education</u>	<u>Law Enforcement Trust</u>	<u>Community Development Block Grant</u>	<u>Swimming Pool Inspections</u>
\$48,464	\$26,365	\$19,106	\$16,815	\$112,265	\$960,585	\$3,682
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	224,637	0
0	100	553	431	0	35	0
<u>0</u>	<u>100</u>	<u>553</u>	<u>431</u>	<u>0</u>	<u>224,672</u>	<u>0</u>
0	0	0	0	0	154,190	0
0	0	0	0	0	124	0
0	0	0	0	0	0	0
<u>\$48,464</u>	<u>\$26,465</u>	<u>\$19,659</u>	<u>\$17,246</u>	<u>\$112,265</u>	<u>\$1,339,571</u>	<u>\$3,682</u>
\$0	\$0	\$0	\$0	\$0	\$92,172	\$0
0	12,000	0	8,000	59,475	0	0
993	0	0	0	0	280	31
0	0	0	0	0	200,000	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>993</u>	<u>12,000</u>	<u>0</u>	<u>8,000</u>	<u>59,475</u>	<u>292,452</u>	<u>31</u>
361	0	404	0	525	172,698	0
0	0	0	0	0	224,637	0
0	0	0	0	0	124	0
<u>47,110</u>	<u>14,465</u>	<u>19,255</u>	<u>9,246</u>	<u>52,265</u>	<u>649,660</u>	<u>3,651</u>
<u>47,471</u>	<u>14,465</u>	<u>19,659</u>	<u>9,246</u>	<u>52,790</u>	<u>1,047,119</u>	<u>3,651</u>
<u>\$48,464</u>	<u>\$26,465</u>	<u>\$19,659</u>	<u>\$17,246</u>	<u>\$112,265</u>	<u>\$1,339,571</u>	<u>\$3,682</u>

(continued)

City of Kent, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	Police Pension	Fire Pension	Urban Development Action Grant	Total Nonmajor Special Revenue Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$160,760	\$146,208	\$9,279	\$1,578,512
Receivables:				
Property Taxes Receivable	103,433	103,433	0	438,007
Interest Receivable	0	0	442	442
Loans Receivable	0	0	288,436	513,073
Other Receivable	0	0	0	1,119
Receivables, Net	<u>103,433</u>	<u>103,433</u>	<u>288,878</u>	<u>952,641</u>
Due from Other Governments	7,220	7,220	0	234,177
Prepaid Items	0	0	0	168
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>\$271,413</u></u>	<u><u>\$256,861</u></u>	<u><u>\$418,157</u></u>	<u><u>\$2,885,498</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$92,990
Capital Contracts Payable	0	0	0	79,475
Accrued Wages and Benefits	156,265	141,842	0	300,025
Due to Other Funds	0	0	0	200,000
Due to Other Governments	0	0	0	0
Unearned Revenue	0	0	0	0
Deferred Revenue	<u>110,653</u>	<u>110,653</u>	<u>0</u>	<u>498,789</u>
<i>Total Liabilities</i>	<u>266,918</u>	<u>252,495</u>	<u>0</u>	<u>1,171,279</u>
Fund Balances				
Reserved for Encumbrances	146,549	131,997	0	452,756
Reserved for Loans Receivable	0	0	288,436	513,073
Reserved for Prepays	0	0	0	168
Unreserved, Undesignated	<u>(142,054)</u>	<u>(127,631)</u>	<u>129,721</u>	<u>748,222</u>
<i>Total Fund Balances</i>	<u>4,495</u>	<u>4,366</u>	<u>418,157</u>	<u>1,714,219</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$271,413</u></u>	<u><u>\$256,861</u></u>	<u><u>\$418,157</u></u>	<u><u>\$2,885,498</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, 2005

	West Side Fire	State Highway	Food Service	License Tax
Revenues				
Property and Other Local Taxes	\$213,795	\$0	\$0	\$124,328
Charges for Services	0	0	0	0
Fees, Licenses and Permits	0	0	45,721	0
Fines and Forfeitures	0	0	0	0
Intergovernmental	24,616	55,172	0	0
Interest	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>238,411</u>	<u>55,172</u>	<u>45,721</u>	<u>124,328</u>
Expenditures				
Current:				
Security of Persons and Property	233,324	0	0	0
Public Health and Welfare	0	0	45,817	0
Leisure Time Activities	0	0	0	0
Community Development	0	0	0	0
Transportation	0	44,355	0	0
Capital Outlay	0	0	0	0
<i>Total Expenditures</i>	<u>233,324</u>	<u>44,355</u>	<u>45,817</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,087</u>	<u>10,817</u>	<u>(96)</u>	<u>124,328</u>
Other Financing Sources (Uses)				
Transfers In	0	0	10,000	0
Transfers Out	0	0	0	(133,600)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>(133,600)</u>
<i>Net Change in Fund Balances</i>	5,087	10,817	9,904	(9,272)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>13,064</u>	<u>32,559</u>	<u>12,504</u>	<u>18,137</u>
<i>Fund Balances End of Year</i>	<u>\$18,151</u>	<u>\$43,376</u>	<u>\$22,408</u>	<u>\$8,865</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, 2005

	Revolving Housing	State and Local Forfeits	Drug Law Enforcement	Enforcement and Education
Revenues				
Property and Other Local Taxes	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	0
Fees, Licenses and Permits	68,772	0	0	0
Fines and Forfeitures	0	17,824	6,244	5,831
Intergovernmental	0	0	0	0
Interest	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>68,772</u>	<u>17,824</u>	<u>6,244</u>	<u>5,831</u>
Expenditures				
Current:				
Security of Persons and Property	0	1,287	646	0
Public Health and Welfare	67,345	0	0	0
Leisure Time Activities	0	0	0	0
Community Development	0	0	0	0
Transportation	0	0	0	0
Capital Outlay	0	12,000	0	8,000
<i>Total Expenditures</i>	<u>67,345</u>	<u>13,287</u>	<u>646</u>	<u>8,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,427</u>	<u>4,537</u>	<u>5,598</u>	<u>(2,169)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,427	4,537	5,598	(2,169)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>46,044</u>	<u>9,928</u>	<u>14,061</u>	<u>11,415</u>
<i>Fund Balances End of Year</i>	<u>\$47,471</u>	<u>\$14,465</u>	<u>\$19,659</u>	<u>\$9,246</u>

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	\$95,522	\$95,522	\$0	\$529,167
0	0	0	0	0	0	0
0	0	1,750	0	0	0	116,243
74,577	0	0	0	0	0	104,476
0	730,657	0	11,118	11,118	0	832,681
2,291	30,623	0	0	0	11,840	44,754
0	34,061	0	0	0	0	34,061
<u>76,868</u>	<u>795,341</u>	<u>1,750</u>	<u>106,640</u>	<u>106,640</u>	<u>11,840</u>	<u>1,661,382</u>
6,250	0	0	106,394	106,172	0	454,073
0	0	2,981	0	0	0	116,143
0	0	0	0	0	0	0
0	701,448	0	0	0	2,000	703,448
0	0	0	0	0	0	44,355
98,471	77,840	0	0	0	0	196,311
<u>104,721</u>	<u>779,288</u>	<u>2,981</u>	<u>106,394</u>	<u>106,172</u>	<u>2,000</u>	<u>1,514,330</u>
(27,853)	16,053	(1,231)	246	468	9,840	147,052
0	0	2,000	0	0	0	12,000
0	0	0	0	0	0	(133,600)
<u>0</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(121,600)</u>
(27,853)	16,053	769	246	468	9,840	25,452
80,643	1,031,066	2,882	4,249	3,898	408,317	1,688,767
<u>\$52,790</u>	<u>\$1,047,119</u>	<u>\$3,651</u>	<u>\$4,495</u>	<u>\$4,366</u>	<u>\$418,157</u>	<u>\$1,714,219</u>

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, 2005

	Beginning Balance 12/31/04	Additions	Deductions	Ending Balance 12/31/05
Assets				
Cash and Cash Equivalents	\$421,840	\$343,708	\$215,939	\$549,609
Liabilities				
Accounts Payable	\$421,840	\$343,708	\$215,939	\$549,609

**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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$0	\$810,000	\$815,240	\$5,240
Special Assessments	5,852	5,852	6,185	333
Miscellaneous	10,248	60,248	71,488	11,240
Total Revenues	16,100	876,100	892,913	16,813
Expenditures				
Capital Outlays	1,525,000	1,548,000	1,532,680	15,320
Debt Service:				
Principal Retirement	4,170,000	4,170,000	4,170,000	0
Interest and Fiscal Charges	119,675	119,675	117,335	2,340
Total Expenditures	5,814,675	5,837,675	5,820,015	17,660
Excess of Revenues Under Expenditures	(5,798,575)	(4,961,575)	(4,927,102)	34,473
Other Financing Sources				
Proceeds from Sale of Notes	3,920,000	3,920,000	3,920,000	0
Premium on Notes	0	0	26,734	26,734
Transfers In	1,500,000	1,500,000	1,500,000	0
Net Other Financing Sources	5,420,000	5,420,000	5,446,734	26,734
Net Change in Fund Balance	(378,575)	458,425	519,632	61,207
Recovery of Prior Year Encumbrances	0	0	12,249	12,249
Fund Balance Beginning of Year	862,571	862,571	862,571	0
Fund Balance End of Year	\$483,996	\$1,320,996	\$1,394,452	\$73,456

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$2,850,000	\$2,813,940	\$2,813,575	(\$365)
Interest	40,000	59,800	60,352	552
Intergovernmental	0	990	999	9
Special Assessments	19,000	27,610	27,619	9
Miscellaneous	34,000	34,000	33,468	(532)
Total Revenues	2,943,000	2,936,340	2,936,013	(327)
Expenses				
Current:				
Department of Public Services				
Personal Services	1,244,922	1,190,242	1,170,899	19,343
Benefits	410,680	475,621	469,517	6,104
Utilities	175,000	219,825	219,823	2
Contractual Services	238,743	184,740	151,751	32,989
Materials and Supplies	277,800	327,306	320,806	6,500
Other	26,250	28,350	26,744	1,606
Capital Outlay	452,757	791,008	722,800	68,208
Debt Service:				
Principal Retirement	14,791	16,116	16,113	3
Interest and Fiscal Charges	14,351	15,536	15,535	1
Total Expenses	2,855,294	3,248,744	3,113,988	134,756
Excess of Revenues Over (Under) Expenses	87,706	(312,404)	(177,975)	134,429
Proceeds from Loan	0	30,350	30,380	30
Capital Contributions - Tap-in-Fees	50,000	156,310	156,314	4
Net Change in Fund Equity	137,706	(125,744)	8,719	134,463
Recovery of Prior Year Encumbrances	0	0	97,356	97,356
Fund Equity Beginning of Year	1,352,294	1,352,294	1,352,294	0
Fund Equity End of Year	\$1,490,000	\$1,226,550	\$1,458,369	\$231,819

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$3,450,000	\$3,500,000	\$3,505,298	\$5,298
Interest	40,000	70,000	84,735	14,735
Intergovernmental	0	350,000	351,163	1,163
Special Assessments	26,000	46,000	47,227	1,227
Miscellaneous	17,000	17,000	13,489	(3,511)
Total Revenues	3,533,000	3,983,000	4,001,912	18,912
Expenses				
Current:				
Department of Public Services				
Personal Services	1,475,553	1,420,558	1,401,471	19,087
Benefits	488,556	550,442	539,924	10,518
Utilities	260,000	275,000	273,475	1,525
Contractual Services	330,505	307,334	235,234	72,100
Materials and Supplies	268,444	280,921	244,127	36,794
Other	42,200	44,774	40,995	3,779
Capital Outlay	55,251	515,230	497,685	17,545
Debt Service:				
Principal Retirement	3,610,000	3,610,000	3,610,000	0
Interest and Fiscal Charges	99,275	99,275	98,999	276
Total Expenses	6,629,784	7,103,534	6,941,910	161,624
Excess of Revenues				
Under Expenses	(3,096,784)	(3,120,534)	(2,939,998)	180,536
Proceeds from Sale of Notes	1,910,000	3,030,000	3,010,000	(20,000)
Premium on Note	0	0	20,528	20,528
Proceeds from Loan	0	1,340,000	1,343,771	3,771
Capital Contributions - Tap-in-Fees	65,000	190,000	191,897	1,897
Advances Out	0	(1,200,000)	(1,200,000)	0
Net Change in Fund Equity	(1,121,784)	239,466	426,198	186,732
Recovery of Prior Year Encumbrances	0	0	207,909	207,909
Fund Equity Beginning of Year	946,494	946,494	946,494	0
Fund Equity (Deficit) End of Year	(\$175,290)	\$1,185,960	\$1,580,601	\$394,641

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$391,000	\$369,000	\$372,097	\$3,097
Intergovernmental	12,500	12,500	12,947	447
Total Revenues	403,500	381,500	385,044	3,544
Expenses				
Current:				
Department of Public Services				
Personal Services	40,841	40,936	40,790	146
Benefits	13,417	13,322	13,293	29
Contractual Services	376,800	376,800	304,526	72,274
Materials and Supplies	2,700	2,700	1,093	1,607
Other	2,800	2,800	19	2,781
Total Expenses	436,558	436,558	359,721	76,837
Net Change in Fund Equity	(33,058)	(55,058)	25,323	80,381
Recovery of Prior Year Encumbrances	0	0	161	161
Fund Equity Beginning of Year	228,542	228,542	228,542	0
Fund Equity End of Year	\$195,484	\$173,484	\$254,026	\$80,542

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for Services	\$500,000	\$500,000	\$535,714	\$35,714
Interest	10,000	10,000	61,878	51,878
Special Assessments	1,200	1,200	1,366	166
Total Revenues	511,200	511,200	598,958	87,758
Expenses				
Current:				
Department of Public Services				
Materials and Supplies	0	356	356	0
Contractual Services	12,772	84,911	80,731	4,180
Other	1,000	1,850	1,094	756
Capital Outlay	252,228	1,299,626	706,318	593,308
Debt Service:				
Interest and Fiscal Charges	2,500	2,500	0	2,500
Total Expenses	268,500	1,389,243	788,499	600,744
Excess of Revenues Over (Under) Expenses	242,700	(878,043)	(189,541)	688,502
Transfers in	200,000	0	0	0
Transfers out	(30,000)	(30,000)	(30,000)	0
Net Change in Fund Equity	412,700	(908,043)	(219,541)	688,502
Recovery of Prior Year Encumbrances	0	0	5,252	5,252
Fund Equity Beginning of Year	1,471,737	1,471,737	1,471,737	0
Fund Equity End of Year	\$1,884,437	\$563,694	\$1,257,448	\$693,754

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$215,087	\$213,537	\$213,795	\$258
Intergovernmental	23,300	24,600	24,616	16
Total Revenues	238,387	238,137	238,411	274
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	242,800	242,800	233,589	9,211
Net Change in Fund Balance	(4,413)	(4,663)	4,822	9,485
Recovery of Prior Year Encumbrances	0	0	108	108
Fund Balance Beginning of Year	13,671	13,671	13,671	0
Fund Balance End of Year	\$9,258	\$9,008	\$18,601	\$9,593

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$48,000	\$48,000	\$58,485	\$10,485
Expenditures				
Current:				
Transportation				
Department of Public Services	49,000	49,000	44,355	4,645
Net Change in Fund Balance	(1,000)	(1,000)	14,130	15,130
Recovery of Prior Year Encumbrances	0	0	812	812
Fund Balance Beginning of Year	18,094	18,094	18,094	0
Fund Balance End of Year	\$17,094	\$17,094	\$33,036	\$15,942

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fees, Licenses and Permits	\$45,000	\$45,000	\$45,721	\$721
Expenditures				
Current:				
Public Health and Welfare				
Department of Health	56,249	56,258	46,399	9,859
Excess of Revenues Under Expenditures	(11,249)	(11,258)	(678)	10,580
Other Financing Sources				
Transfers In	10,000	10,000	10,000	0
Net Change in Fund Balance	(1,249)	(1,258)	9,322	10,580
Recovery of Prior Year Encumbrances	0	0	9	9
Fund Balance Beginning of Year	13,635	13,635	13,635	0
Fund Balance End of Year	\$12,386	\$12,377	\$22,966	\$10,589

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$135,000	\$127,000	\$124,764	(\$2,236)
Expenditures	0	0	0	0
Excess of Revenues Over Expenditures	135,000	127,000	124,764	(2,236)
Other Financing Uses				
Transfers Out	(135,000)	(135,000)	(133,600)	1,400
Net Change in Fund Balance	0	(8,000)	(8,836)	(836)
Fund Balance Beginning of Year	8,836	8,836	8,836	0
Fund Balance End of Year	<u>\$8,836</u>	<u>\$836</u>	<u>\$0</u>	<u>(\$836)</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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fees, Licenses and Permits	\$55,000	\$65,000	\$68,832	\$3,832
Expenditures				
Current:				
Public Health and Welfare				
Department of Health	79,823	79,823	67,962	11,861
Net Change in Fund Balance	(24,823)	(14,823)	870	15,693
Recovery of Prior Year Encumbrances	0	0	9	9
Fund Balance Beginning of Year	47,224	47,224	47,224	0
Fund Balance End of Year	\$22,401	\$32,401	\$48,103	\$15,702

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$12,000	\$12,000	\$17,724	\$5,724
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	12,000	12,000	12,000	0
Net Change in Fund Balance	0	0	5,724	5,724
Fund Balance Beginning of Year	8,641	8,641	8,641	0
Fund Balance End of Year	\$8,641	\$8,641	\$14,365	\$5,724

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$5,000	\$5,000	\$5,916	\$916
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	11,000	11,000	1,050	9,950
Net Change in Fund Balance	(6,000)	(6,000)	4,866	10,866
Fund Balance Beginning of Year	13,836	13,836	13,836	0
Fund Balance End of Year	\$7,836	\$7,836	\$18,702	\$10,866

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, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Fines and Forfeits	\$10,000	\$6,000	\$6,153	\$153
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety				
Capital Outlays	<u>14,000</u>	<u>14,000</u>	<u>13,790</u>	<u>210</u>
Net Change in Fund Balance	(4,000)	(8,000)	(7,637)	363
Fund Balance Beginning of Year	<u>16,452</u>	<u>16,452</u>	<u>16,452</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$12,452</u></u>	<u><u>\$8,452</u></u>	<u><u>\$8,815</u></u>	<u><u>\$363</u></u>

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fines and Forfeits	\$50,000	\$70,000	\$74,577	\$4,577
Interest	0	0	2,291	2,291
Total Revenues	50,000	70,000	76,868	6,868
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	20,000	71,000	66,250	4,750
Capital Outlays	30,000	39,000	38,996	4
Total Expenditures	50,000	110,000	105,246	4,754
Net Change in Fund Balance	0	(40,000)	(28,378)	11,622
Fund Balance Beginning of Year	80,643	80,643	80,643	0
Fund Balance End of Year	\$80,643	\$40,643	\$52,265	\$11,622

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental	\$366,000	\$711,000	\$724,718	\$13,718
Interest	35,000	30,000	30,623	623
Miscellaneous	120,000	70,000	67,941	(2,059)
Total Revenues	521,000	811,000	823,282	12,282
Expenditures				
Current:				
Community Development				
Department of Community Development	366,000	612,375	604,482	7,893
Capital Outlays	0	113,625	112,877	748
Total Expenditures	366,000	726,000	717,359	8,641
Net Change in Fund Balance	155,000	85,000	105,923	20,923
Recovery of Prior Year Encumbrances	0	0	56,372	56,372
Fund Balance Beginning of Year	535,003	535,003	535,003	0
Fund Balance End of Year	\$690,003	\$620,003	\$697,298	\$77,295

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Fees, Licenses and Permits	\$2,000	\$1,750	\$1,750	\$0
Expenditures				
Current:				
Public Health and Welfare				
Department of Health	4,786	4,786	3,007	1,779
Excess of Revenues Under Expenditures	(2,786)	(3,036)	(1,257)	1,779
Other Financing Sources				
Transfers in	5,000	2,000	2,000	0
Net Change in Fund Balance	2,214	(1,036)	743	1,779
Fund Balance Beginning of Year	2,939	2,939	2,939	0
Fund Balance End of Year	\$5,153	\$1,903	\$3,682	\$1,779

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$96,889	\$95,361	\$95,522	\$161
Intergovernmental	9,550	11,050	11,118	68
Total Revenues	106,439	106,411	106,640	229
Expenditures				
Current:				
Security of Persons and Property				
Department of Pubic Safety	106,000	106,000	106,000	0
Net Change in Fund Balance	439	411	640	229
Fund Balance Beginning of Year	13,571	13,571	13,571	0
Fund Balance End of Year	\$14,010	\$13,982	\$14,211	\$229

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes	\$96,889	\$95,361	\$95,522	\$161
Intergovernmental	9,550	11,050	11,118	68
Total Revenues	106,439	106,411	106,640	229
Expenditures				
Current:				
Security of Persons and Property				
Department of Public Safety	106,000	106,000	106,000	0
Net Change in Fund Balance	439	411	640	229
Fund Balance Beginning of Year	13,571	13,571	13,571	0
Fund Balance End of Year	\$14,010	\$13,982	\$14,211	\$229

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Interest	\$2,000	\$100,000	\$11,717	(\$88,283)
Miscellaneous	0	12,000	14,678	2,678
Total Revenues	2,000	112,000	26,395	(85,605)
Expenditures				
Current:				
Community Development				
Department of Community Development	2,000	92,000	92,000	0
Net Change in Fund Balance	0	20,000	(65,605)	(85,605)
Fund Balance Beginning of Year	74,884	74,884	74,884	0
Fund Balance End of Year	\$74,884	\$94,884	\$9,279	(\$85,605)

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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Special Assessments	\$74,316	\$74,316	\$80,410	\$6,094
Miscellaneous	3,384	3,384	3,384	0
Total Revenues	77,700	77,700	83,794	6,094
Expenditures				
Current:				
General Government				
Department of Budget and Finance	4,000	4,000	3,370	630
Debt Service:				
Principal Retirement	188,947	188,947	188,947	0
Interest and Fiscal Charges	152,505	152,505	152,505	0
Total Expenditures	345,452	345,452	344,822	630
Excess of Revenues Under Expenditures	(267,752)	(267,752)	(261,028)	6,724
Other Financing Sources				
Transfers In	256,077	256,077	256,077	0
Net Change in Fund Balance	(11,675)	(11,675)	(4,951)	6,724
Fund Balance Beginning of Year	44,130	44,130	44,130	0
Fund Balance End of Year	\$32,455	\$32,455	\$39,179	\$6,724

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Program Revenues			
Charges for Services	\$2,176,318	\$1,962,034	\$1,545,509
Operating Grants and Contributions	1,601,253	1,827,953	1,462,410
Capital Grants and Contributions	797,717	898,967	2,074,706
General Revenues			
Property and Other Local Taxes	10,149,597	3,051,628	2,907,923
Income Taxes	3,022,427	9,705,339	9,743,877
Intergovernmental	2,308,746	2,163,350	2,642,496
Interest	615,028	354,751	371,548
Gain on Sale of Capital Assets	0	26,173	0
Miscellaneous	99,965	261,338	437,711
Total	<u><u>\$20,771,051</u></u>	<u><u>\$20,251,533</u></u>	<u><u>\$21,186,180</u></u>
Expenses			
Security of Persons and Property	\$9,088,539	\$9,067,707	\$8,476,702
Public Health and Welfare	547,160	561,278	520,613
Leisure Time Activities	1,202,921	1,241,619	1,116,664
Community Development	1,850,436	1,958,778	1,965,417
Transportation	2,056,046	1,957,215	1,855,622
General Government	2,747,645	2,824,185	2,642,924
Interest and Fiscal Charges	245,952	242,475	256,440
Total	<u><u>\$17,738,699</u></u>	<u><u>\$17,853,257</u></u>	<u><u>\$16,834,382</u></u>

Source: City financial records

(1) Full accrual basis

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Taxes (2)	\$13,141,341	\$12,751,371	\$12,622,036	\$12,335,994
Charges for Services	1,458,020	1,239,502	988,417	849,472
Fees, Licenses and Permits	348,454	349,356	241,387	293,606
Fines and Forfeitures	369,844	373,176	315,705	339,937
Intergovernmental	3,988,310	4,759,878	4,145,984	4,457,224
Special Assessments	163,218	163,005	166,775	166,417
Interest	573,151	311,813	319,078	432,931
Miscellaneous	97,432	261,338	407,711	485,468
Total	<u>\$20,139,770</u>	<u>\$20,209,439</u>	<u>\$19,207,093</u>	<u>\$19,361,049</u>
Expenditures				
Current:				
Security of Persons and Property	\$8,574,921	\$8,566,950	\$7,977,881	\$7,801,668
Public Health and Welfare	545,881	557,405	520,443	517,827
Leisure Time Activities	1,141,268	1,175,458	979,959	955,279
Community Development	1,836,098	1,924,022	1,946,318	2,102,383
Transportation	1,400,731	1,455,517	1,424,857	1,365,439
General Government	2,568,272	2,659,253	2,424,777	2,616,445
Capital Outlay	2,714,605	3,732,130	2,264,048	4,382,589
Debt Service	188,947	430,871	439,480	460,816
Total	<u>\$18,970,723</u>	<u>\$20,501,606</u>	<u>\$17,977,763</u>	<u>\$20,202,446</u>

Source: City financial records

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

(2) Includes All Taxes

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$12,036,231	\$11,454,325	\$11,224,208	\$11,096,845	\$10,265,609	\$9,937,708
755,909	840,692	636,896	591,432	566,867	555,781
300,552	152,496	314,955	248,234	228,748	172,204
352,319	363,619	373,008	472,835	299,169	359,628
3,671,672	3,707,016	3,430,043	3,540,752	3,752,674	3,782,230
209,485	159,746	298,228	131,322	168,743	177,847
931,920	941,332	698,951	679,171	553,740	500,984
345,495	407,801	175,517	374,474	208,339	376,652
<u>\$18,603,583</u>	<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>
\$7,328,137	\$7,197,719	\$6,927,110	\$6,522,907	\$6,181,814	\$5,834,900
466,178	421,649	421,313	415,147	384,446	379,258
863,226	827,170	829,725	869,507	843,018	799,162
2,098,614	1,832,505	1,331,444	1,633,099	1,596,340	1,604,129
1,251,158	1,432,219	1,147,096	1,161,164	1,257,393	1,183,541
2,880,775	2,675,061	2,524,234	2,562,947	2,358,076	2,587,758
2,835,200	2,837,314	2,065,938	4,032,289	2,073,682	4,922,511
508,447	896,429	339,211	368,799	201,704	159,878
<u>\$18,231,735</u>	<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>

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>
2005	\$3,016,195	\$2,904,751	96.3 %	\$83,750	\$2,988,501	99.1 %
2004	2,990,557	2,908,664	97.3	130,128	3,038,792	101.6
2003	2,822,825	2,757,875	97.7	77,216	2,835,091	100.4
2002	2,633,533	2,534,329	96.2	68,297	2,602,626	98.8
2001	2,458,410	2,401,347	97.7	62,949	2,464,296	100.2
2000	2,149,762	2,000,343	93.0	60,103	2,060,446	95.8
1999	2,013,482	1,944,504	96.6	59,863	2,004,367	99.5
1998	1,993,259	N/A (1)	N/A (1)	N/A (1)	2,026,685	101.7
1997	1,864,376	N/A (1)	N/A (1)	N/A (1)	1,856,717	99.6
1996	1,666,273	N/A (1)	N/A (1)	N/A (1)	1,696,819	101.8

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
\$221,840	7.4 %
193,334	6.5
166,525	5.9
159,168	6.1
148,243	6.0
110,384	5.1
125,743	6.3
92,780	4.7
109,149	5.9
84,167	5.1

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

Tax Year/ Collection Year	Real Property		Public Utility Property	
	Assessed Value (1)	Estimated Actual Value (3)	Assessed Value (2)	Estimated Actual Value (3)
2005/2006	\$317,339,170	\$906,683,343	\$8,165,810	\$12,187,776
2004/2005	311,309,187	889,454,820	9,594,610	10,902,966
2003/2004	306,982,572	877,093,063	9,808,000	11,145,455
2002/2003	272,993,108	779,980,309	10,123,850	11,504,375
2001/2002	268,375,313	766,786,609	9,942,640	11,298,455
2000/2001	264,062,473	754,464,209	10,593,570	12,038,148
1999/2000	222,384,732	635,384,949	12,732,900	14,469,205
1998/1999	218,165,746	623,330,703	12,787,660	14,531,432
1997/1998	215,205,680	614,873,371	13,265,220	15,074,114
1996/1997	188,992,523	539,978,637	13,661,270	15,524,170

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 - 1996/1997 through 2004/2005.
 Public utility is assessed at 67% of actual value - 2005/2006.
 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
\$28,023,818	\$112,095,272	\$353,528,798	\$1,030,966,391	34.29 %
37,133,989	148,535,956	358,037,786	1,048,893,742	34.13
38,007,178	152,028,712	354,797,750	1,040,267,230	34.11
36,373,796	145,495,184	319,490,754	936,979,868	34.10
42,935,640	171,742,560	321,253,593	949,827,624	33.82
42,056,737	168,226,948	316,712,780	934,729,305	33.88
39,539,156	158,156,624	274,656,788	808,010,778	33.99
39,435,714	157,742,856	270,389,120	795,604,991	33.99
39,816,452	159,265,808	268,287,352	789,213,293	33.99
37,194,204	148,776,816	239,847,997	704,279,623	34.06

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>
2005/2006	\$9.54	\$13.62	\$95.78	\$118.94
2004/2005	9.44	12.72	95.77	117.93
2003/2004	9.44	12.72	96.01	118.17
2002/2003	9.44	12.72	94.48	116.64
2001/2002	9.44	12.72	86.35	108.51
2000/2001	9.44	12.72	86.60	108.76
1999/2000	9.44	12.72	86.50	108.66
1998/1999	9.44	12.72	86.70	108.86
1997/1998	9.44	12.72	87.42	109.58
1996/1997	9.44	12.72	87.60	109.76

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>
2005	\$213,598	\$39,966	\$253,564	\$207,980	82.02 %
2004	206,839	47,931	254,770	217,666	85.44
2003	196,694	55,585	252,279	207,299	82.17
2002	205,789	40,106	245,895	189,528	77.08
2001	211,757	30,985	242,742	204,094	84.08
2000	193,485	19,755	213,240	195,797	91.82
1999	95,499	15,583	111,082	86,609	77.97
1998	135,878	26,790	162,668	139,897	86.00
1997	125,486	73,005	198,491	163,824	82.53
1996	181,807	71,311	253,118	180,884	71.46

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>
2005	27,906	\$353,528,798	\$2,785,000	\$39,179	\$0	\$510,821
2004	27,906	358,037,786	2,944,000	44,130	0	544,870
2003	27,906	354,797,750	3,102,000	44,847	0	582,153
2002	27,906	319,490,754	3,254,000	40,116	0	623,884
2001	27,906	321,253,593	7,040,000	44,704	3,645,000	650,296
2000	27,906	316,712,780	7,487,000	39,166	3,945,000	697,834
1999	28,835	274,656,788	7,615,000	50,190	4,490,000	169,810
1998	28,835	270,389,120	8,269,000	33,291	5,010,000	225,709
1997	28,835	268,287,352	5,852,000	38,337	5,500,000	313,663
1996	28,835	239,847,997	6,390,000	13,342	5,955,000	421,658

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>
\$2,235,000	0.01 %	\$80.09
2,355,000	0.01	84.39
2,475,000	0.01	88.69
2,590,000	0.01	92.81
2,700,000	0.01	96.75
2,805,000	0.01	100.52
2,905,000	0.01	100.75
3,000,000	0.01	104.04
0	0.00	0.00
0	0.00	0.00

City of Kent, Ohio
Computation of Legal Debt Margin
December 31, 2005

Assessed Valuation		<u><u>\$353,528,798</u></u>
Debt Limit - 10.50% of Assessed Value		\$37,120,524
Debt Applicable to Limitation:		
General Obligation Bonds	\$2,235,000	
Special Assessment Bonds	550,000	
Governmental Funds' Notes	3,920,000	
Enterprise Funds' Notes	<u>3,010,000</u>	
Gross Indebtedness	<u>9,715,000</u>	
Less: Debt Outside Limitations		
Special Assessment Bonds	550,000	
Enterprise Funds' Notes	<u>3,010,000</u>	
Total Debt Outside Limitation	<u>3,560,000</u>	
Total Debt Applicable to Limitation - Within 10.50% Limitations		6,155,000
Less: Amount Available in Debt Service Fund		<u>(39,179)</u>
Legal Debt Margin Within 10.50% Limitations		<u><u>\$30,926,345</u></u>
Unvoted Debt Limitation - 5.50% of Assessed Valuation		\$19,444,084
Gross Indebtedness	\$9,715,000	
Less: Debt Outside Limitations	<u>3,560,000</u>	
Debt Within 5.50% Limitation		6,155,000
Less: Amount Available in Debt Service Fund		<u>(39,179)</u>
Unvoted Debt Margin Within 5.50% Limitations		<u><u>\$13,249,905</u></u>

Source: City Financial Records

City of Kent, Ohio

Computation of Direct and Overlapping General Obligation Bonded Debt

December 31, 2005

<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>\$2,235,000</u>	100.00 %	<u>\$2,235,000</u>
<u>Overlapping:</u>			
Kent City Schools (2)	30,002,202	70.37	21,112,550
Portage County, Ohio (3)	<u>16,454,224</u>	11.09	<u>1,824,773</u>
Total Overlapping	<u>46,456,426</u>		<u>22,937,323</u>
Total	<u><u>\$48,691,426</u></u>		<u><u>\$25,172,323</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>
2005	\$159,000	\$152,505	\$311,505	\$19,217,308	1.62 %
2004	158,000	160,145	318,145	20,501,606	1.55
2003	152,000	167,450	319,450	17,977,763	1.78
2002	141,000	173,980	314,980	20,202,446	1.56
2001	147,000	193,324	340,324	18,231,735	1.87
2000	144,000	155,299	299,299	18,120,066	1.65
1999	134,000	161,554	295,554	15,586,071	1.90
1998	93,000	120,701	213,701	17,565,859	1.22
1997	83,000	31,645	114,645	14,896,473	0.77
1996	120,000	39,878	159,878	17,471,137	0.92

(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	
2005	\$3,626,854	\$2,669,943	\$956,911	\$0	\$0	\$0	N/A
2004	3,577,423	2,708,742	868,681	0	0	0	N/A
2003	3,535,737	2,654,034	881,703	0	0	0	N/A
2002	3,773,337	2,529,934	1,243,403	315,000	233,405	548,405	2.27 %
2001	3,811,595	2,452,707	1,358,888	300,000	250,805	550,805	2.47
2000	3,505,972	2,420,124	1,085,848	280,000	266,765	546,765	1.99
1999	3,476,351	2,253,505	1,222,846	270,000	281,750	551,750	2.22
1998	3,257,363	2,233,873	1,023,490	255,000	295,520	550,520	1.86
1997	3,271,850	2,155,379	1,116,471	235,000	307,740	542,740	2.06
1996	3,309,536	2,223,796	1,085,740	225,000	318,878	543,878	2.00

- (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	
2005	\$2,921,177	\$2,328,973	592,204	\$0	\$0	0	N/A
2004	2,861,427	2,340,647	520,780	0	0	0	N/A
2003	2,828,579	2,167,861	660,718	0	0	0	N/A
2002	3,098,769	2,170,544	928,225	0	0	0	N/A
2001	2,987,952	2,055,737	932,215	0	0	0	N/A
2000	2,964,205	2,109,231	854,974	265,000	15,238	280,238	3.05 %
1999	2,860,695	2,016,738	843,957	250,000	29,613	279,613	3.02
1998	2,727,096	2,006,673	720,423	235,000	43,125	278,125	2.59
1997	2,743,794	2,021,631	722,163	220,000	55,775	275,775	2.62
1996	2,748,222	2,361,596	386,626	210,000	67,850	277,850	1.39

(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>
2005	27,906	3,832	5.6 %	4.7 %
2004	27,906	3,738	5.8	4.7
2003	27,906	3,784	5.8	4.4
2002	27,906	3,786	5.4	6.0
2001	27,906	3,795	4.2	4.7
2000	27,906	3,839	3.9	4.3
1999	28,835	3,990	4.0	4.6
1998	28,835	3,982	3.7	4.3
1997	28,835	4,152	4.0	4.7
1996	28,835	4,244	4.4	5.1

- (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>
2005	4	\$335,000	29	\$4,931,860	62	\$12,168,724
2004	1	7,200,000	15	169,450	52	9,973,416
2003	2	520,000	34	2,005,865	41	8,908,000
2002	3	1,379,880	29	4,358,616	55	11,857,738
2001	9	7,285,000	21	1,556,190	34	11,395,900
2000	3	349,000	29	1,119,350	51	8,753,425
1999	9	5,172,000	25	4,773,000	69	10,994,000
1998	3	3,453,403	14	379,300	40	6,143,841
1997	4	1,935,000	27	4,043,100	54	7,892,836
1996	6	5,539,000	11	570,750	44	5,206,377

(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>	
76	\$1,513,078	N/A
89	1,178,601	\$343,357
88	1,108,162	366,076
92	2,247,607	352,291
87	1,156,297	337,673
108	1,744,813	353,361
120	1,004,000	336,320
60	762,782	354,069
40	693,001	351,734
70	634,723	324,344

City of Kent, Ohio

Principal Taxpayers

December 31, 2005

<u>Name of Taxpayer</u>	<u>Business Activity</u>	<u>2005 Assessed Valuation for Collection in 2006</u>	<u>Percent of Total Assessed Valuation</u>
Gougler Industries, Inc.	Manufacturer	\$3,760,520	1.06 %
Silver Meadows Ltd.	Apartment Residences	3,628,560	1.03
DSMP - Kent LLC *	Apartment Residences	3,396,400	0.96
Ohio Bell	Telephone Utility	3,299,070	0.93
Mikey Ryan LLC	Apartment Residences	2,882,600	0.82
Ohio Edison	Electric Utility	2,852,070	0.81
Paul P. Tell Sr.	Apartment Residences	2,758,890	0.78
Whitehall Terrace Investors LLC	Apartment Residences	2,176,020	0.62
MWT, Inc.	Automobile Dealership	2,340,430	0.66
Douglas Partners**	Apartment Residences	<u>2,108,760</u>	<u>0.60</u>
Total		<u>\$29,203,320</u>	<u>8.26 %</u>
Total Assessed Value		<u>\$353,528,798</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, 2005

<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	\$3,459,821	34.11 %
Kent City Schools	Education	497,285	4.90
Davey Tree Expert Co., Inc.	Tree Care	231,127	2.28
City of Kent	City Government	220,978	2.18
Ametek, Inc.	Manufacturer	159,551	1.57
Land-O-Lakes	Dairy Products	159,186	1.57
Smithers-Oasis Company	Manufacturer	125,562	1.24
Integrated Logistics Holding Co.	Manufacturer	82,620	0.81
Klaben Family Ford, Inc.	Automobile Dealership	72,518	0.71
Seal Master Corporation	Manufacturer	<u>67,503</u>	<u>0.67</u>
Total		<u><u>\$5,076,151</u></u>	<u><u>50.04 %</u></u>
Total Municipal Income Tax Revenue		<u><u>\$10,142,768</u></u>	(1)

(1) Modified accrual basis.

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

City of Kent, Ohio
Miscellaneous Statistics and Community Profile
 December 31, 2005

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 2005

Employment:	84,900
Unemployment:	5.40%

EDUCATION

	<u>Schools</u>	<u>Teachers</u>	<u>Grades</u>	<u>Enrollment</u>
Elementary	5		K - 6	1,609
Middle School	1		7 - 8	828
High School	1		9 - 12	1,395
Private and Parochial	1		K - 8	364
Vocational/Technical	Co-operative with Other Communities			
Colleges	1- Graduate and Undergraduate - 23,622			
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, 2005

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: 3.2 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: 8
Other Facilities: 9 Theaters, 1 Drive-in, 12 Ballfields, 24 Tennis Courts,
2 Bowling Alleys, 1 Indoor Ice Arena, 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, 2005

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**

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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 12, 2006**