



**CITY OF SOLON
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

CITY OF SOLON
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

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

City of Solon
Cuyahoga County
34200 Bainbridge Road
Solon, Ohio 44139

To the City Council:

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 Solon, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and City Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 20, 2005

City of Solon, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2004

*Prepared by the Department of
Finance*

*D. William Weber, CPA
Director of Finance*

City of Solon, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2004
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June 20, 2005

Residents of the City of Solon
Honorable Mayor Kevin C. Patton and
Members of Solon City Council:

We are pleased to submit to you the 2004 Comprehensive Annual Financial Report (CAFR) for the City of Solon. We believe this report, prepared by the Department of Finance, presents thorough operating and financial information about the City's activities during 2004 that should be useful to taxpayers, citizens, investment firms, debt rating agencies and other interested parties.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation rests with the City. To the best of our knowledge, the data in this report is accurate in all material respects. It is our intention to present this report in a manner that presents fairly the financial position and results of operations of the various funds of the City in conformity with generally accepted accounting principles (GAAP). All disclosures necessary to provide the reader with a better understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in the following three sections:

1. The Introductory Section includes a table of contents, this transmittal letter, an organizational chart, a listing of principal City officials and the GFOA Certificate of Achievement.
2. The Financial Section includes the Independent Accountants' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for non-major funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section includes scheduled financial and demographic information, presented on a ten year basis.

REPORTING ENTITY

The City of Solon is located in the southeast corner of Cuyahoga County about 15 miles southeast of downtown Cleveland. It was originally organized as a township around 1825, and became a village in 1938. On November 2, 1954, the voters of Solon approved a charter. Then, in 1960, Solon became a city.

The form of government established by the Charter is the Mayor/Council type. There are seven City Council members, each elected from a ward, for a term of four years. The Mayor's term is also four years. The Mayor appoints all department directors, some requiring confirmation of City Council.

Pursuant to Governmental Accounting Standards Board Statement No. 14, the City of Solon has included in this report all funds, agencies, boards and commissions for which the City is financially accountable.

CITY SERVICES

The City of Solon provides a full range of services to its citizens. The police protection services include patrol, investigations, jail facilities, drug resistance programs and safety schools. The fire protection service includes regular safety inspections, emergency medical (paramedic) services and fire safety education. In addition, the City has a very active service department that provides free refuse, leaf and brush pickup, recycling, road maintenance and repair, storm sewer maintenance and repair, two cemeteries and various other service department activities. The recreation department sponsors a full range of activities from its headquarters in the City's new Community Center, as does the senior services department from the Senior Center wing of the new Community Center.

Solon has two enterprise operations. They are the Grantwood (golf course) Recreation and the Water Reclamation (formerly wastewater) funds. The operating expenses of the Grantwood Recreation have been, and continue to be, covered by user fees through charges for services and rentals.

The administrative functions include planning and zoning, economic development, building permits and inspection, engineering and City income tax administration.

ECONOMIC CONDITION AND OUTLOOK

The City of Solon continues to have a vibrant industrial and commercial establishment. Evidence of this can be found in some key areas such as:

- a. The number of business entities increased to 2,817 in 2004 from 2,662 in 2003.
- b. In the year 2004, there were 115 industrial and commercial building permits granted for new buildings, additions to existing buildings or remodeling, totaling over \$12.5 million in market value.

Most of Solon's industrial complex is in the western part of the City and separated from the residential areas. Part of this complex includes an Enterprise Zone where a new company, or an existing company building an addition, is able to obtain property tax abatement on their new construction and investment. This program has been successful in attracting new businesses and retaining existing businesses. As of the end of 2004, Solon had 25 Enterprise Zone agreements. These agreements have enabled new and existing firms to retain 3,131 jobs and create 810 jobs.

In addition, the City began a Job Creation Grant Program in 2004 where a company could receive a return (grant) on part of the City income tax paid to the City from the payroll for new jobs it creates. At the end of 2004, the City had three such agreements for the creation of 36 total jobs.

Swagelock, a Solon based manufacturer of valves and connecting devices, neared completion on the construction of a \$20 million order processing and distribution center in a newly created Foreign Trade Zone. This company was also given economic incentives by the Solon City Council to create 400 jobs starting in 2004.

Although the City has been growing rapidly since the 1960's, there is still some land or room available for new industry, business and housing. The Planning Department estimates about 237 acres are presently available for industrial development.

MAJOR INITIATIVES

2004 was the first full year of the City's new Community Center/Recreation Complex that was completed in June 2003. The registrations were better than anticipated throughout 2004 and it has proved to be an attractive asset for the City of Solon.

The construction contract for the Aurora Road East Sanitary/Storm Sewer project was awarded in late 2004. This project will bring sanitary sewers to over six hundred parcels in the southeast corner of Solon and significantly improve the storm water management in that same area.

Solon continues to maintain a five-year plan for capital projects and operating expenditures. This plan is updated each year by the Mayor and Departments Heads and submitted to City Council for review.

FINANCIAL INFORMATION

Internal Accounting Control

The City is responsible for establishing and maintaining an internal control system designed to protect its assets from loss, theft or misuse. Furthermore, the accounting system must be adequate to ensure that the financial statements are prepared in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits require estimates and judgements by management.

The City's budget process is governed by Ohio law. It starts with the annual tax budget adopted in the July prior to January of the particular budget year. The main purpose of the annual tax budget is to set the property tax rates for the forthcoming budget year. In December of each year, the City adopts a temporary cash basis appropriations measure for the first three months of the forthcoming budget year. Then, usually in February or March of the current budget year, the City adopts an annual cash basis appropriation measure for the calendar year. Both appropriation measures are prepared by the Mayor, Director of Finance and Department Heads. The annual appropriation measure is reviewed in detail by City Council at its annual budget hearing meeting. Usually after some revisions, it is adopted.

Amendments to the annual appropriations may be made by City Council throughout the budget year as long as the amendment does not cause the total appropriations to exceed the estimated resources for each fund. The estimated resources consist of the unencumbered cash balance at January 1st plus the fund's estimated revenue during the budget year.

The level of budgetary control at which expenditures cannot exceed an appropriated amount is established at the major function and object group level within the general fund and at the fund and object group level for all other funds. Budgetary control is maintained by the fully automated accounting system, which utilizes a purchase order/encumbrance system. All expenditures must have a purchase order prior to payment certifying that moneys are legally appropriated and available for such purpose. The outstanding purchase orders or encumbrances at year end carry forward to the succeeding budget year, and need not be re-appropriated.

The Finance Department distributes budget reports every month to each department, or more often if needed. The department head reviews their department's budget, and will communicate with the Finance Department about any related matter or potential problem.

Financial Reporting

The City has prepared financial statements under the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". GASB 34 creates new basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by business enterprises. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements These statements present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing Management's Discussion and Analysis of the City. This discussion appears after the Independent Accountants' Report in the financial section of this report. Management's Discussion and Analysis provides an assessment of the City's finances for 2004.

Cash Management Policies and Practices

The primary goal of the cash management program is to minimize the level of idle cash on hand to meet the daily cash requirement while simultaneously maximizing the amount available for investment. The City adopted a formal investment policy on August 18, 1997 with Ordinance No. 1997-186. This policy specifies the type of investments the City may purchase.

The investment bankers must acknowledge this investment policy by signing it and returning it to the Director of Finance before an investment is made.

The eligible investments under the City's investment policy are:

- a. United States Treasury Bills, Notes and Bonds
- b. Bonds, Notes or Debentures issued by any Federal Government Agency (FNMA, FHLB, FHLMC, etc.)
- c. Bonds and Notes of the State of Ohio or political Subdivisions
- d. Repurchase agreements with any eligible depository
- e. Certificates of Deposit with an eligible depository
- f. STAROHIO

At December 31, 2004, the City's investments were as follows:

StarOhio	\$509,679
Repurchase Agreement	974,964
Federal Home Loan Bank Bonds	12,876,290
Federal Home Loan Mortgage Corporation Bonds	400,124
Federal Home Loan Mortgage Corporation Notes	23,633,600
Federal National Mortgage Association Notes	<u>14,216,712</u>
Total	<u>\$52,611,369</u>

Risk Management

The City of Solon belongs to the Northern Ohio Risk Management Association (NORMA). This is a group of ten cities organized for the purpose of enabling them to obtain liability, property and automobile insurance, and provide for a formalized, jointly administered self-insurance fund. Additional information about NORMA is in the footnotes to the basic financial statements.

OTHER INFORMATION

Independent Audit

Under Ohio law, regular audits are required to be performed on all financial related operations of the City. These audits may be done by either the State Auditor's Office or, if the State Auditor permits, an independent public accounting firm.

For the year 2004, the City of Solon was audited by the Auditor of State's Office. Their unqualified opinion is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes an informative and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The City of Solon received the Certificate of Achievement for its 2003 Comprehensive Annual Financial Report.

A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR for 2004 continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the Government Finance Officers Association to determine its eligibility for another certificate.

Acknowledgements

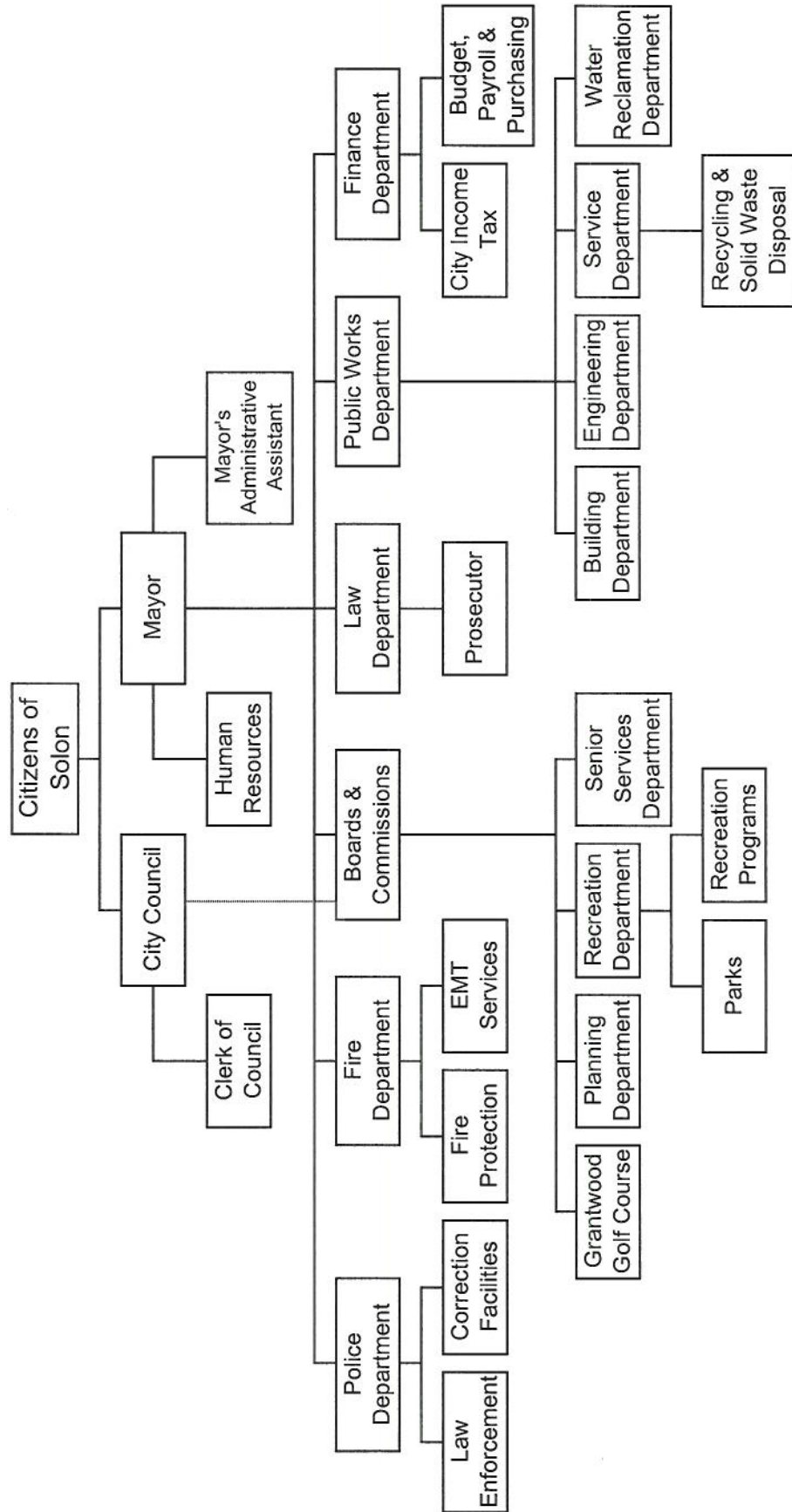
I convey my appreciation to Mayor Kevin Patton and the Members of City Council for their support in preparing this Comprehensive Annual Financial Report. In addition, my gratitude and compliments extend to the Auditor of State's Section of Local Government Services who helped us with this report. Finally, a thank you to the Solon Finance Department staff for the extra work they did to help produce this report.

Respectfully submitted,



D. William Weber, CPA
Director of Finance

City of Solon, Ohio
Organizational Chart
 December 31, 2004



City of Solon, Ohio
Principal Officials
December 31, 2004

Elected Officials

Kevin C. Patton Mayor

City Council

Roger J. Goudy Ward 7 (Vice Mayor)
Susan A. Drucker Ward 1
Robert N. Pelunis Ward 2
John T. Scott Ward 3
Edward K. Suit Ward 4
David J. Krus Ward 5
Edward H. Kraus Ward 6
Dianne R. Garrett Clerk of Council (appointed)

Appointed Officials

David J. Matty Director of Law
D. William Weber Director of Finance
Wayne E. Godzich Chief of Police
William J. Shaw Chief of Fire and Rescue
Robert S. Frankland Director of Planning
Donald W. Holub Director of Recreation
Eileen M. Regan Director of Senior Services
Gary N. Mazzeo Grantwood Recreational Park Manager
David L. Klunzinger Director of Public Works
John J. Busch Director of Engineering
Jeffery E. Pokorny Director of Service
Alan D. Uthe Building Commissioner
James S. Stanek Superintendent of Water Reclamation

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Solon,
Ohio

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

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



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Solon
Cuyahoga County
34200 Bainbridge Road
Solon, Ohio 44139

To the City Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Solon, Cuyahoga County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Government's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

June 20, 2005

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

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

Financial Highlights

Key Financial Highlights for 2004 are as follows:

- Assets of the City of Solon exceeded its liabilities at the close of 2004 by \$153,844,550. Of this amount, \$24,208,022 is unrestricted net assets that may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total net assets decreased by \$5,127,785 or 3.23 percent from 2003.
- Total assets decreased by \$7,093,599 or 3.19 percent.
- Total depreciable capital assets decreased by \$2,289,774 or 1.69 percent, while non depreciable capital assets decreased by \$101,171 or 0.91 percent.
- As of the close of 2004, the City of Solon's governmental funds reported combined ending fund balances of \$46,548,301, a decrease of \$2,692,976 from the prior year.
- Total outstanding governmental obligations decreased \$1,187,602 or 3.08 percent.
- On a modified accrual basis, City income tax collections decreased from \$28,383,580 in 2003 to \$27,038,056 in 2004, or 4.74 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Solon's basic financial statements. The City of Solon's basic financial statements are comprised of these parts:

1. Management's Discussion and Analysis
2. Government-Wide Financial Statements
3. Fund Financial Statements
4. Notes to the Basic Financial Statements

In addition, this report also contains other supplementary information:

1. Transmittal Letter
2. Combining Statements
3. Individual Fund Schedules
4. Statistics

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

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the City of Solon'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 non-major funds presented in total in one column.

The Statement of Net Assets presents information on all of the City of Solon'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 Solon is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses are reported in this statement for some items that will effect cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish programs of the City of Solon that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City of Solon include security of persons and property, public health and welfare, leisure time activities, community environment, basic utility services, transportation and general government. The business type activities include water reclamation and Grantwood recreation.

The government-wide financial statements can be found starting on page 13.

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 Solon, like all other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. All of the funds of the City of Solon can be divided into three categories: governmental, proprietary and fiduciary.

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 the 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 evaluation a government's near term financing requirements.

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

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 provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Solon maintains 23 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the government funds statement of revenue, expenditures, and changes in fund balances for the general fund, general obligation bond retirement fund, infrastructure fund, community center fund and building construction fund, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregate presentation. Individual fund data for each of these non-major government funds is provided in the form of combining statements elsewhere in this report.

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

PROPRIETARY FUNDS – use the same basis of accounting as business-type activities. The City of Solon has two enterprise operations under the proprietary fund classification. They are the water reclamation (sanitary sewer) operation and Grantwood (golf course) recreation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21 to 24.

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 statements because the resources of those funds are not available to support the City of Solon's own programs.

Notes to the Basic Financial Statements

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 26 to 54.

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 non-major funds are presented, as well as individual detailed budgetary comparisons for all non-major funds. This information can be found starting on page 56.

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

Government-Wide Financial Analysis

The Statement of Net Assets and the Statement of Activities provide an overall view of the City of Solon. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account 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 the changes in those assets. The change in assets is important because it indicates if the financial position of the City 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 City capital assets will also need to be evaluated.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

The City of Solon as a Whole

The following provides a summary of the City's net assets for the City as a whole for 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$64,308,783	\$67,782,175	\$6,996,446	\$8,225,708	\$71,305,229	\$76,007,883
Capital Assets, Net	87,644,845	89,846,207	56,266,965	56,456,548	143,911,810	146,302,755
<i>Total Assets</i>	<u>151,953,628</u>	<u>157,628,382</u>	<u>63,263,411</u>	<u>64,682,256</u>	<u>215,217,039</u>	<u>222,310,638</u>
Liabilities						
Current Liabilities	13,076,546	13,611,200	569,046	297,837	13,645,592	13,909,037
Long-term Liabilities						
Due within one Year	3,052,420	2,872,612	1,435,213	1,287,645	4,487,633	4,160,257
Due in More than one Year	27,784,003	28,637,388	15,455,261	16,631,621	43,239,264	45,269,009
<i>Total Liabilities</i>	<u>\$43,912,969</u>	<u>\$45,121,200</u>	<u>\$17,459,520</u>	<u>\$18,217,103</u>	<u>\$61,372,489</u>	<u>\$63,338,303</u>

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(Table 1)
Net Assets
Continued

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$61,406,398	\$61,147,112	\$39,874,333	\$39,017,736	\$101,280,731	\$100,164,848
Restricted for:						
Capital Projects	19,714,801	20,769,432	0	0	19,714,801	20,769,432
Debt Service	5,494,418	5,164,577	0	0	5,494,418	5,164,577
Street, Construction, Maintenance and Repair	933,997	1,100,877	0	0	933,997	1,100,877
Cable TV	504,777	434,793	0	0	504,777	434,793
Tree Planting Deposits	216,226	200,356	0	0	216,226	200,356
Landfill Improvements	1,351,906	1,367,896	0	0	1,351,906	1,367,896
Other Purposes	139,672	340,629	0	0	139,672	340,629
Unrestricted	18,278,464	21,981,510	5,929,558	7,447,417	24,208,022	29,428,927
<i>Total Net Assets</i>	<u>\$108,040,659</u>	<u>\$112,507,182</u>	<u>\$45,803,891</u>	<u>\$46,465,153</u>	<u>\$153,844,550</u>	<u>\$158,972,335</u>

Total assets decreased from \$222,310,638 to \$215,217,039 or by \$7,093,599 in 2004. The two main reasons for the reduction in assets were the annual depreciation expense and cash payments in excess of receipts for various funds.

Total liabilities decreased from \$63,338,303 to \$61,372,489 or by \$1,965,814. The most notable decreases in liabilities were for bond anticipation notes payable and long-term debt or obligations by a combined total of \$2,216,394.

Although the total net assets decreased by \$5,127,785 in 2004, they were still comfortably positive at year end. The decrease in net assets for governmental activities was \$4,466,523 and the decrease for business type activities was \$661,262. The primary reasons for this decline were on the asset side as mentioned above, that is the annual depreciation expense and cash payments in excess of receipts.

Further details of the changes in net assets can be observed in Table 2 that presents changes in net assets by way of the results of activities in 2004 compared to 2003.

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(Table 2)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program Revenues						
Charges for Services and Sales	\$4,496,162	\$4,057,460	\$6,390,264	\$6,364,322	\$10,886,426	\$10,421,782
Operating Grants and Contributions	1,073,328	831,117	0	0	1,073,328	831,117
Capital Grants and Contributions	30,000	924,595	0	0	30,000	924,595
<i>Total Program Revenues</i>	<u>5,599,490</u>	<u>5,813,172</u>	<u>6,390,264</u>	<u>6,364,322</u>	<u>11,989,754</u>	<u>12,177,494</u>
General Revenues						
Property Taxes	5,589,627	5,372,010	0	0	5,589,627	5,372,010
Municipal Income Taxes	26,772,588	28,277,201	0	0	26,772,588	28,277,201
Grants and Entitlements	1,646,510	1,375,594	0	0	1,646,510	1,375,594
Gain on Sale of Capital Assets	8,450	0	0	0	8,450	0
Investment Income	1,155,225	1,298,459	0	0	1,155,225	1,298,459
Miscellaneous	90,038	401,395	67,785	17,738	157,823	419,133
<i>Total General Revenues</i>	<u>35,262,438</u>	<u>36,724,659</u>	<u>67,785</u>	<u>17,738</u>	<u>35,330,223</u>	<u>36,742,397</u>
<i>Total Revenues</i>	<u>40,861,928</u>	<u>42,537,831</u>	<u>6,458,049</u>	<u>6,382,060</u>	<u>47,319,977</u>	<u>48,919,891</u>
Program Expenses						
Security of Persons and Property						
Police	6,952,721	6,236,704	0	0	6,952,721	6,236,704
Fire	6,580,279	5,860,599	0	0	6,580,279	5,860,599
Prosecutor	291,166	299,984	0	0	291,166	299,984
Public Health and Welfare	121,625	105,461	0	0	121,625	105,461
Leisure Time Activities	5,599,968	5,055,204	0	0	5,599,968	5,055,204
Community Environment	2,738,297	2,874,107	0	0	2,738,297	2,874,107
Basic Utility Services	1,467,266	1,238,991	0	0	1,467,266	1,238,991
Transportation	11,766,890	6,029,480	0	0	11,766,890	6,029,480
General Government	8,336,415	6,396,281	0	0	8,336,415	6,396,281
Interest and Fiscal Charges	1,301,006	1,448,515	0	0	1,301,006	1,448,515
Water Reclamation	0	0	5,935,231	5,464,150	5,935,231	5,464,150
Grantwood Recreation	0	0	1,356,898	1,409,474	1,356,898	1,409,474
<i>Total Program Expenses</i>	<u>45,155,633</u>	<u>35,545,326</u>	<u>7,292,129</u>	<u>6,873,624</u>	<u>52,447,762</u>	<u>42,418,950</u>
Transfers	(172,818)	(4,878,167)	172,818	4,878,167	0	0
<i>Change in Net Assets</i>	<u>(4,466,523)</u>	<u>2,114,338</u>	<u>(661,262)</u>	<u>4,386,603</u>	<u>(5,127,785)</u>	<u>6,500,941</u>
<i>Net Assets Beginning of Year</i>	<u>112,507,182</u>	<u>110,392,844</u>	<u>46,465,153</u>	<u>42,078,550</u>	<u>158,972,335</u>	<u>152,471,394</u>
<i>Net Assets End of Year</i>	<u>\$108,040,659</u>	<u>\$112,507,182</u>	<u>\$45,803,891</u>	<u>\$46,465,153</u>	<u>\$153,844,550</u>	<u>\$158,972,335</u>

Governmental Activities

The funding for governmental activities comes from several different sources, the most significant being municipal income tax. Other significant sources include property tax and charges for services. Governmental expenses exceeded governmental revenues by \$4,466,523 in 2004 resulting in a decrease of governmental net assets by the same amount.

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The municipal income tax revenue for 2004 was \$26,772,588. It was 65.52 percent of the total governmental revenues and 5.32 percent less than 2003. The main reason for this reduction was lower net profits taxes paid by businesses located in the City of Solon. The net profits tax is one of three components of city income tax collections. The largest component is employee withholding, which is usually about 80 percent to 85 percent of the total annual receipts. The other component is individual taxpayer payments.

In 2004, the total revenue from employer withholding actually increased from 2003. However, the reduction in net profits revenue, as mentioned above, caused the decline in overall income tax revenue.

The next largest source of governmental revenue is property tax. It was 13.68 percent of the total governmental revenues in 2004. The property tax is derived from 3.6 mills of inside (unvoted) millage and .5 mill levy (voted) millage. Most property tax revenue is used to pay principal and interest on bonds.

On the expense side, the largest program or function is Security of Persons and Property. The total for 2004 was \$13,824,166 or 30.61 percent of the governmental expenses. It is divided into three parts; \$6,952,721 for the Police Department, \$6,580,279 for the Fire Department and \$291,166 for the Prosecutor. The next largest program expense was for Transportation. It totaled \$11,766,890 in 2004 and represented about 26.06 percent of the total governmental expenses. It includes the maintenance of streets, storm sewers and other related infrastructure.

Although there was a significant increase of \$5,737,410 in transportation expenses between 2003 and 2004, the amount of capitalized infrastructure was significantly less. This was because payments were made for soft costs (engineering and research and development costs) on new projects that have not started construction nor have been capitalized as of year end 2004 and for road maintenance that will be expensed.

The third largest program was General Government at \$8,336,415, which accounts for the City hall administrative departments which showed increases from the hiring of additional staff and from salary increases in these departments. Close behind General Government was Leisure Time Activities at \$5,599,968. This was a notable increase over 2003 because 2004 was the first full year of operation of the City's new Community Center.

Business Type Activities

The City has two business type operations. They are the Water Reclamation Plant (wastewater) and Grantwood (golf course) Recreation. The largest source of revenue for both Water Reclamation and Grantwood Recreation in 2004 was charges for services in the respective amounts of \$4,951,245 and \$1,439,019. On the expense side, the largest expenses are for personal services for both operations.

Financial Analysis of the City's Funds

Governmental Funds – provide near term inflows, outflows and balances of spendable resources. This information is useful in evaluating the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for

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spending at the end of the year. Information about the City's governmental funds begins on page 16. These funds are accounted for by using the modified accrual basis of accounting.

As of the end of 2004, the City of Solon's governmental funds reported combined ending fund balances of \$46,548,301. Of that amount, \$40,094,917 is unreserved. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchases of the prior period.

All governmental funds had total revenues of \$41,432,773 and expenditures of \$45,470,365 under the modified accrual basis. The general fund is the main governmental or operating fund of the City. The increase in the general fund's fund balance was \$2,025,964 before transfers to other funds. After other financing sources and uses, net (\$3,522,002), the overall fund balance decreased by \$1,496,038.

Business Type Funds – report the City's water reclamation (wastewater) operation and Grantwood (golf course) recreation on a full accrual basis. In 2004, the net assets for the water reclamation facility decreased by \$764,512 while the net assets for Grantwood recreation increased by \$103,250.

General Fund Budgeting Highlights

Solon's most significant budgeted fund is the general fund. Its expenditure (appropriations) budget, along with all other funds, is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures and encumbrances. Ohio Law limits appropriations for each fund to the estimated receipts plus the unencumbered cash carryover from the prior year for that particular fund.

In 2004, the general fund's actual revenue plus other financing sources fell short of the estimate by \$784,265. However, the general fund's actual expenditures plus other financing uses were \$1,059,856 under budget producing an overall positive variance of \$275,591.

Capital Assets

(Table 3)
 Capital Assets at December 31
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$7,748,645	\$7,722,371	\$3,150,174	\$3,150,174	\$10,898,819	\$10,872,545
Construction in Progress	127,038	254,483	0	0	127,038	254,483
Land Improvements	555,848	352,468	25,861	31,236	581,709	383,704
Buildings	43,459,315	43,876,905	20,574,097	21,209,160	64,033,412	65,086,065
Furniture and Equipment	1,762,214	1,551,020	1,938,392	1,884,200	3,700,606	3,435,220
Vehicles	4,138,176	4,262,684	298,064	238,308	4,436,240	4,500,992
Infrastructure	29,853,609	31,826,276	30,280,377	29,943,470	60,133,986	61,769,746
Total Capital Assets	\$87,644,845	\$89,846,207	\$56,266,965	\$56,456,548	\$143,911,810	\$146,302,755

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The total capital assets, net of depreciation, for the City's governmental activities as of year end 2004 were \$87,644,845. This was a decrease of \$2,201,362 from 2003 and was caused by annual depreciation of \$4,298,682 which was far greater than the additions. The total capital assets, net of depreciation, for the City's business-type activities decreased from \$56,456,548 in 2003 to \$56,266,965 in 2004. This was a slight decrease of \$189,583 and was also caused by annual depreciation being \$188,308 greater than the additions. For additional information, please see note 9 to the basic financial statements.

A five year capital plan, involving all assets and capital projects is maintained by the administration. It is updated and reviewed by City Council every year.

Outstanding Obligations

	Outstanding Obligations at Year End					
	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$19,040,000	\$20,835,000	\$0	\$0	\$19,040,000	\$20,835,000
Special Assessment Bonds	722,220	898,350	0	0	722,220	898,350
Notes	6,531,075	7,045,100	0	0	6,531,075	7,045,100
OPWC Loans	593,447	654,095	0	0	593,447	654,095
OWDA Loans	7,977,195	6,827,517	14,183,512	15,288,431	22,160,707	22,115,948
Interfund Loans	0	0	2,209,120	2,150,381	2,209,120	2,150,381
Compensated Absences	2,503,561	2,295,038	497,842	480,454	3,001,403	2,775,492
Total	\$37,367,498	\$38,555,100	\$16,890,474	\$17,919,266	\$54,257,972	\$56,474,366

At year-end 2004, the City of Solon had a total of \$54,257,972 in outstanding obligations. This was a decrease of \$2,216,394 from year end 2003. General Obligation Bonds and Ohio Water Development Authority Loans compose most of the outstanding obligations. In addition, outstanding obligations include compensated absences (sick leave, vacation, etc.) for 2004 in the amount of \$3,001,403.

Governmental activities have 68.87 percent of the obligations. It is serviced by inside (unvoted) property tax millage that is credited to the bond retirement fund. Most of this debt was issued for the construction of new buildings such as the new City Hall (1993), the new Community Center (2002) and the new Fire Station (2002). Most of the business type debt is for the water reclamation utility and it is serviced by wastewater user fees. Most of this debt was issued for improvements to the wastewater plant.

The compensated absence category is 5.53 percent and it represents the dollar value of accumulated but unused sick leave and vacation time at year-end 2004. The liability represents amounts that will either be taken as leave or paid out upon termination or retirement. For additional information, please see note 14 and 15 to the basic financial statements.

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Economic Factors and Current Financial Issues

The City of Solon continues to have a strong tax base that grows each year. Although the City income tax revenue dropped in 2004 from 2003, the main source of income tax collections, that being employer withholding, actually increased. The main reason for the decline as mentioned in the Governmental Activities section was lower net profit tax receipts. The employer withholding comes from employees working in the City of Solon. The number of employees (full time plus part time) that have earned income in Solon, as reported to our City income tax department, continues to be in the 40,000 plus range each year.

The City's property values continue to grow. In 2001, Solon surpassed the \$1 billion mark in assessed property value which is about 35 percent of market value in Ohio. In 2004, the City issued 758 building permits for new homes that had an aggregate market value of \$88 million. In addition, there were 117 industrial and commercial permits for new and additional construction issued in 2004 with a total market value of \$26 million.

The City continues to have an aggressive economic development program. In 2004 the City adopted three Job Creation Grant programs with three employers to hire 185 new employees over the next three years. This was in addition to adopting two additional Enterprise Zone Agreements in 2004 for an overall total of 25.

The financial statements of the City of Solon show that that City is in a very strong cash position. The year end 2004 General Fund cash and cash equivalent balance was \$24,334,122. This was 78.44 percent in relation to the 2004 expenditure budget of \$31,023,500.

Debt management has always been a priority of the City of Solon's Mayors and City Councils. The City's current bond rating is Aa1 with Moody's and AA+ with Standard & Poors. In 2004, Moody's did re-affirm their Aa1 bond rating for the City.

Requests for Information and Data

This financial report is designed to provide a general overview of the City of Solon's finances for all those with an interest in the City's finances. Questions concerning any of the information and data presented in this report, or requests for additional financial information, should be addressed to D. William Weber, Director of Finance, City of Solon, 34200 Bainbridge Road, Solon, Ohio 44139.

City of Solon, Ohio
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$48,921,541	\$6,694,829	\$55,616,370
Materials and Supplies Inventory	352,655	113,187	465,842
Accounts Receivable	23,053	211,556	234,609
Interfund Loans Receivable	2,209,120	0	2,209,120
Internal Balances	23,126	(23,126)	0
Intergovernmental Receivable	1,407,946	0	1,407,946
Municipal Income Taxes Receivable	4,026,649	0	4,026,649
Property Taxes Receivable	4,309,006	0	4,309,006
Special Assessments Receivable	3,035,687	0	3,035,687
Nondepreciable Capital Assets	7,875,683	3,150,174	11,025,857
Depreciable Capital Assets, Net	79,769,162	53,116,791	132,885,953
<i>Total Assets</i>	<u>151,953,628</u>	<u>63,263,411</u>	<u>215,217,039</u>
Liabilities			
Accounts Payable	320,556	175,592	496,148
Accrued Wages	477,842	49,432	527,274
Contracts Payable	293,713	0	293,713
Intergovernmental Payable	762,078	24,826	786,904
Notes Payable	6,531,075	0	6,531,075
Accrued Interest Payable	182,042	226,632	408,674
Claims Payable	130,271	0	130,271
Deferred Revenue	4,069,673	0	4,069,673
Vacation Benefits Payable	309,296	92,564	401,860
Long-Term Liabilities:			
Due Within One Year	3,052,420	1,435,213	4,487,633
Due In More Than One Year	27,784,003	15,455,261	43,239,264
<i>Total Liabilities</i>	<u>43,912,969</u>	<u>17,459,520</u>	<u>61,372,489</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	61,406,398	39,874,333	101,280,731
Restricted for:			
Capital Projects	19,714,801	0	19,714,801
Debt Service	5,494,418	0	5,494,418
Street, Construction, Maintenance and Repair	933,997	0	933,997
Cable TV	504,777	0	504,777
Tree Planting Deposits	216,226	0	216,226
Landfill Improvement	1,351,906	0	1,351,906
Other Purposes	139,672	0	139,672
Unrestricted	18,278,464	5,929,558	24,208,022
<i>Total Net Assets</i>	<u>\$108,040,659</u>	<u>\$45,803,891</u>	<u>\$153,844,550</u>

See accompanying notes to the basic financial statements

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property				
Police	\$6,952,721	\$397,347	\$59,292	\$0
Fire	6,580,279	342,623	0	0
Prosecutor	291,166	19,334	0	0
Public Health and Welfare	121,625	8,076	0	0
Leisure Time Activities	5,599,968	2,591,960	37,116	0
Community Environment	2,738,297	138,260	3,886	0
Basic Utility Services	1,467,266	107,112	0	0
Transportation	11,766,890	241,598	973,034	10,000
General Government	8,336,415	649,852	0	20,000
Interest and Fiscal Charges	1,301,006	0	0	0
<i>Total Governmental Activities</i>	<u>45,155,633</u>	<u>4,496,162</u>	<u>1,073,328</u>	<u>30,000</u>
Business-Type Activities:				
Water Reclamation	5,935,231	4,951,245	0	0
Grantwood Recreation	1,356,898	1,439,019	0	0
<i>Total Business-Type Activities</i>	<u>7,292,129</u>	<u>6,390,264</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$52,447,762</u>	<u>\$10,886,426</u>	<u>\$1,073,328</u>	<u>\$30,000</u>

General Revenues

Property and Other Local Taxes Levied for:

 General Purposes

 Debt Service

 Police Pension

 Fire Pension

 Service and Safety Equipment

Municipal Income Taxes Levied for:

 General Purposes

 Infrastructure

Grants and Entitlements not Restricted to Specific Programs

Gain on Sale of Capital Asset

Investment Income

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$6,496,082)	\$0	(\$6,496,082)
(6,237,656)	0	(6,237,656)
(271,832)	0	(271,832)
(113,549)	0	(113,549)
(2,970,892)	0	(2,970,892)
(2,596,151)	0	(2,596,151)
(1,360,154)	0	(1,360,154)
(10,542,258)	0	(10,542,258)
(7,666,563)	0	(7,666,563)
(1,301,006)	0	(1,301,006)
<u>(39,556,143)</u>	<u>0</u>	<u>(39,556,143)</u>
0	(983,986)	(983,986)
0	82,121	82,121
<u>0</u>	<u>(901,865)</u>	<u>(901,865)</u>
<u>(39,556,143)</u>	<u>(901,865)</u>	<u>(40,458,008)</u>
1,478,324	0	1,478,324
3,025,779	0	3,025,779
320,851	0	320,851
332,792	0	332,792
431,881	0	431,881
21,800,820	0	21,800,820
4,971,768	0	4,971,768
1,646,510	0	1,646,510
8,450	0	8,450
1,155,225	0	1,155,225
90,038	67,785	157,823
35,262,438	67,785	35,330,223
<u>(172,818)</u>	<u>172,818</u>	<u>0</u>
<u>35,089,620</u>	<u>240,603</u>	<u>35,330,223</u>
(4,466,523)	(661,262)	(5,127,785)
<u>112,507,182</u>	<u>46,465,153</u>	<u>158,972,335</u>
<u>\$108,040,659</u>	<u>\$45,803,891</u>	<u>\$153,844,550</u>

City of Solon, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	General Obligation Bond Retirement	Infrastructure	Community Center	Building Construction
Assets					
Equity in Pooled Cash and Cash Equivalents	\$24,334,122	\$2,344,768	\$14,848,462	\$646,347	\$738,957
Materials and Supplies Inventory	352,655	0	0	0	0
Accounts Receivable	17,539	0	0	0	0
Interfund Receivable	0	23,126	0	0	0
Loans Receivable	2,209,120	0	0	0	0
Intergovernmental Receivable	688,222	137,865	0	0	0
Special Assessments Receivable	0	3,035,687	0	0	0
Municipal Income Taxes Receivable	3,019,987	0	1,006,662	0	0
Property Taxes Receivable	537,231	2,256,368	0	0	0
Total Assets	\$31,158,876	\$7,797,814	\$15,855,124	\$646,347	\$738,957
Liabilities					
Accounts Payable	\$291,935	\$0	\$0	\$0	\$0
Accrued Wages	426,435	0	0	0	0
Contracts Payable	9,321	5,760	201,276	4,178	1,129
Intergovernmental Payable	349,783	0	0	0	0
Accrued Interest Payable	0	0	0	11,011	4,381
Claims Payable	130,271	0	0	0	0
Deferred Revenue	1,619,306	5,429,920	200,177	0	0
Notes Payable	0	0	0	4,650,000	1,850,000
Total Liabilities	2,827,051	5,435,680	401,453	4,665,189	1,855,510
Fund Balances					
Reserved for Encumbrances	617,600	0	2,726,722	6,386	217,961
Reserved for Loans Receivable	2,209,120	0	0	0	0
Reserved for Unclaimed Monies	66,215	0	0	0	0
Undesignated, Reported in:					
General Fund	25,438,890	0	0	0	0
Special Revenue Funds	0	0	0	0	0
Debt Service Fund	0	2,362,134	0	0	0
Capital Projects Funds (Deficit)	0	0	12,726,949	(4,025,228)	(1,334,514)
Total Fund Balances	28,331,825	2,362,134	15,453,671	(4,018,842)	(1,116,553)
Total Liabilities and Fund Balances	\$31,158,876	\$7,797,814	\$15,855,124	\$646,347	\$738,957

See accompanying notes to the basic financial statements

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

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Funds Balances	\$46,548,301
		Amounts reported for governmental activities in the statement of net assets are different because	
\$6,008,885	\$48,921,541	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	87,644,845
0	352,655		
5,514	23,053		
0	23,126		
0	2,209,120	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
581,859	1,407,946	Property Taxes	239,333
0	3,035,687	Municipal Income Taxes	800,707
0	4,026,649	Intergovernmental	1,115,230
1,515,407	4,309,006	Special Assessments	3,035,687
\$8,111,665	\$64,308,783	Total	5,190,957
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(166,650)
\$28,621	\$320,556		
51,407	477,842		
72,049	293,713	Other financing sources in the governmental funds, such as a note premium, that increases long-term liabilities in that statement of net assets is not reported as revenue in the statement of activities.	(31,075)
412,295	762,078		
0	15,392		
0	130,271		
2,011,227	9,260,630	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(309,296)
0	6,500,000		
2,575,599	17,760,482		
		Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:	
609,380	4,178,049	Compensated Absences	(2,503,561)
0	2,209,120	General Obligation Bonds	(19,040,000)
0	66,215	Special Assessment Bonds	(722,220)
0	25,438,890	OWDA Loan Payable	(7,977,195)
2,737,070	2,737,070	OPWC Loan Payable	(593,447)
0	2,362,134		
2,189,616	9,556,823	Total	(30,836,423)
5,536,066	46,548,301	Net Assets of Governmental Activities	\$108,040,659
\$8,111,665	\$64,308,783		

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

	General	General Obligation Bond Retirement	Infrastructure	Community Center	Building Construction
Revenues					
Property Taxes	\$769,449	\$3,022,762	\$0	\$0	\$0
Municipal Income Taxes	21,999,921	0	5,038,135	0	0
Other Local Taxes	703,495	0	0	0	0
Special Assessments	0	406,647	0	0	0
Intergovernmental	1,311,152	180,199	10,000	0	106,100
Investment Income	1,155,225	0	0	0	0
Fees, Licenses and Permits	733,039	125,283	0	0	0
Fines and Forfeitures	292,396	0	0	0	0
Rentals	0	0	0	0	0
Charges for Services	691,068	0	0	0	0
Contributions and Donations	0	0	0	0	0
Miscellaneous	19,396	0	0	0	0
<i>Total Revenues</i>	<u>27,675,141</u>	<u>3,734,891</u>	<u>5,048,135</u>	<u>0</u>	<u>106,100</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	5,900,890	0	0	0	0
Fire	5,103,948	0	0	0	0
Prosecutor	288,406	0	0	0	0
Public Health and Welfare	121,625	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	2,081,224	0	0	0	0
Basic Utility Services	1,405,901	0	0	0	0
Transportation	3,638,401	0	0	0	0
General Government	7,108,782	261,640	0	0	0
Capital Outlay	0	0	5,130,464	780,127	186,669
Debt Service:					
Principal Retirement	0	2,275,486	60,648	0	0
Interest and Fiscal Charges	0	1,174,679	0	104,622	41,825
<i>Total Expenditures</i>	<u>25,649,177</u>	<u>3,711,805</u>	<u>5,191,112</u>	<u>884,749</u>	<u>228,494</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,025,964</u>	<u>23,086</u>	<u>(142,977)</u>	<u>(884,749)</u>	<u>(122,394)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	29,500	0	0	0	0
OWDA Loans Issued	0	0	1,454,034	0	0
Premium on General Obligation Notes Issued	0	0	0	33,900	0
Transfers In	0	40,373	0	1,416,100	83,900
Transfers Out	(3,551,502)	0	(1,040,373)	(950,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,522,002)</u>	<u>40,373</u>	<u>413,661</u>	<u>500,000</u>	<u>83,900</u>
<i>Net Change in Fund Balances</i>	<u>(1,496,038)</u>	<u>63,459</u>	<u>270,684</u>	<u>(384,749)</u>	<u>(38,494)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>29,827,863</u>	<u>2,298,675</u>	<u>15,182,987</u>	<u>(3,634,093)</u>	<u>(1,078,059)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$28,331,825</u>	<u>\$2,362,134</u>	<u>\$15,453,671</u>	<u>(\$4,018,842)</u>	<u>(\$1,116,553)</u>

See accompanying notes to the basic financial statements

City of Solon, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$2,692,976)
		Amounts reported for governmental activities in the statement of activities are different because	
\$1,050,930	\$4,843,141	Governmental funds report capital outlays as expenditures.	
0	27,038,056	However, in the statement of activities, the cost of those	
0	703,495	assets is allocated over their estimated useful lives as	
0	406,647	depreciation expense. This is the amount by which depreciation	
1,008,827	2,616,278	exceeded capital outlays in the current period.	
0	1,155,225	Capital Outlay	2,118,370
223,244	1,081,566	Depreciation	<u>(4,298,682)</u>
0	292,396		
11,563	11,563	Total	(2,180,312)
2,419,569	3,110,637	Governmental funds only report the disposal of fixed assets to	
83,731	83,731	the extent proceeds are received from the sale. In the	
70,642	90,038	statement of activities, a gain or loss is reported for each	
		disposal.	(21,050)
4,868,506	41,432,773	Revenues in the statement of activities that do not provide	
		current financial resources are not reported as revenues	
		in the funds.	
734,551	6,635,441	Property and Other Local Taxes	42,991
1,185,787	6,289,735	Municipal Income Taxes	(265,468)
0	288,406	Intergovernmental	49,829
0	121,625	Special Assessments	<u>(406,647)</u>
4,895,083	4,895,083	Total	(579,295)
2,756	2,083,980	Repayment of long-term debt is an expenditure in the	
63,623	1,469,524	governmental funds, but the repayment reduces long-term	
1,107,440	4,745,841	liabilities in the statement of net assets.	2,336,134
0	7,370,422	Some expenses reported in the statement of activities do not require	
1,815,788	7,913,048	the use of current financial resources and therefore are not reported	
		as expenditures in governmental funds.	
0	2,336,134	Accrued Interest on Bonds	(27,805)
0	1,321,126	Amortization of Note Premium	<u>47,925</u>
9,805,028	45,470,365	Total	20,120
(4,936,522)	(4,037,592)	Some expenses reported in the statement of activities, such as	
		compensated absences and intergovernmental payable	
0	29,500	(which represents contractually required pension contributions	
0	1,454,034	do not require the use of current financial resources and therefore	
0	33,900	are not reported as expenditures in governmental funds.	
3,828,684	5,369,057	Compensated Absences	(208,523)
0	(5,541,875)	Vacation Benefits Payable	(22,571)
3,828,684	1,344,616	Pension Obligation	<u>369,884</u>
(1,107,838)	(2,692,976)	Total	138,790
6,643,904	49,241,277	Other financing sources in the governmental funds	
\$5,536,066	\$46,548,301	increase long-term liabilities in the statement of net assets	
		are not reported as revenues in the statement of activities.	
		Proceeds of OWDA Loan	(1,454,034)
		Premium on Notes	<u>(33,900)</u>
		Total	<u>(1,487,934)</u>
		Change in Net Assets of Governmental Activities	<u>(\$4,466,523)</u>

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

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Property Taxes	\$777,118	\$777,165	\$781,006	\$3,841
Municipal Income Taxes	22,298,369	22,300,000	21,723,411	(576,589)
Other Local Taxes	560,318	560,350	690,374	130,024
Intergovernmental	1,390,851	1,390,927	1,409,774	18,847
Investment Income	1,941,132	1,941,248	1,537,804	(403,444)
Fees, Licenses and Permits	723,659	723,700	741,602	17,902
Fines and Forfeitures	300,983	301,000	298,990	(2,010)
Charges for Services	695,860	695,900	689,168	(6,732)
Miscellaneous	14,999	15,000	19,396	4,396
<i>Total Revenues</i>	<u>28,703,289</u>	<u>28,705,290</u>	<u>27,891,525</u>	<u>(813,765)</u>
Expenditures				
Current:				
Security of Persons and Property				
Police	6,057,939	6,057,939	5,994,014	63,925
Fire	5,319,932	5,319,932	5,309,119	10,813
Prosecutor	299,990	299,990	293,788	6,202
Public Health and Welfare	124,276	124,276	122,645	1,631
Community Environment	2,220,788	2,220,788	2,163,716	57,072
Basic Utility Services	1,506,797	1,506,797	1,506,797	0
Transportation	3,754,090	3,754,090	3,754,090	0
General Government	7,179,059	7,192,059	7,114,082	77,977
<i>Total Expenditures</i>	<u>26,462,871</u>	<u>26,475,871</u>	<u>26,258,251</u>	<u>217,620</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2,240,418</u>	<u>2,229,419</u>	<u>1,633,274</u>	<u>(596,145)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	29,500	29,500
Interfund Loan Repayments	95,152	95,152	95,152	0
Interfund Loans	(153,891)	(153,891)	(153,891)	0
Transfers Out	(4,393,738)	(4,393,738)	(3,551,502)	842,236
<i>Total Other Financing Sources (Uses)</i>	<u>(4,452,477)</u>	<u>(4,452,477)</u>	<u>(3,580,741)</u>	<u>871,736</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(2,212,059)</u>	<u>(2,223,058)</u>	<u>(1,947,467)</u>	<u>275,591</u>
<i>Fund Balances Beginning of Year</i>	25,489,970	25,489,970	25,489,970	0
Prior Year Encumbrances Appropriated	808,064	808,064	808,064	0
<i>Fund Balances End of Year</i>	<u>\$24,085,975</u>	<u>\$24,074,976</u>	<u>\$24,350,567</u>	<u>\$275,591</u>

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2004

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$6,445,570	\$249,259	\$6,694,829
Materials and Supplies Inventory	101,445	11,742	113,187
Accounts Receivable	211,260	296	211,556
<i>Total Current Assets</i>	<u>6,758,275</u>	<u>261,297</u>	<u>7,019,572</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	768,010	2,382,164	3,150,174
Depreciable Capital Assets, Net	52,355,519	761,272	53,116,791
<i>Total Noncurrent Assets</i>	<u>53,123,529</u>	<u>3,143,436</u>	<u>56,266,965</u>
<i>Total Assets</i>	<u>59,881,804</u>	<u>3,404,733</u>	<u>63,286,537</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	167,568	8,024	175,592
Accrued Wages	38,039	11,393	49,432
Intergovernmental Payable	19,298	5,528	24,826
Interfund Payable	23,126	0	23,126
Accrued Interest Payable	226,632	0	226,632
Compensated Absences Payable	45,646	74,434	120,080
Vacation Benefits Payable	51,749	40,815	92,564
OWDA Loans Payable	1,141,743	0	1,141,743
Interfund Loans Payable	0	173,390	173,390
<i>Total Current Liabilities</i>	<u>1,713,801</u>	<u>313,584</u>	<u>2,027,385</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	307,130	70,632	377,762
OWDA Loans Payable	13,041,769	0	13,041,769
Interfund Loans Payable	0	2,035,730	2,035,730
<i>Total Long-Term Liabilities</i>	<u>13,348,899</u>	<u>2,106,362</u>	<u>15,455,261</u>
<i>Total Liabilities</i>	<u>15,062,700</u>	<u>2,419,946</u>	<u>17,482,646</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	38,940,017	934,316	39,874,333
Unrestricted	5,879,087	50,471	5,929,558
<i>Total Net Assets</i>	<u>\$44,819,104</u>	<u>\$984,787</u>	<u>\$45,803,891</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Operating Revenues			
Charges for Services	\$4,323,206	\$1,202,953	\$5,526,159
Tap-In Fees	628,039	0	628,039
Rentals	0	236,066	236,066
Miscellaneous	54,153	13,632	67,785
<i>Total Operating Revenues</i>	<u>5,005,398</u>	<u>1,452,651</u>	<u>6,458,049</u>
Operating Expenses			
Personal Services	1,785,766	673,328	2,459,094
Materials and Supplies	407,021	287,955	694,976
Contractual Services	1,264,222	274,376	1,538,598
Depreciation	1,628,944	46,649	1,675,593
Other	132,559	0	132,559
<i>Total Operating Expenses</i>	<u>5,218,512</u>	<u>1,282,308</u>	<u>6,500,820</u>
<i>Operating Income (Loss)</i>	(213,114)	170,343	(42,771)
Non-Operating Expenses			
Loss on Sale of Capital Assets	0	(1,275)	(1,275)
Interest and Fiscal Charges	(716,719)	(73,315)	(790,034)
<i>Total Non-Operating Expenses</i>	<u>(716,719)</u>	<u>(74,590)</u>	<u>(791,309)</u>
<i>Income (Loss) before Transfers</i>	(929,833)	95,753	(834,080)
Transfers In	165,321	7,497	172,818
<i>Change in Net Assets</i>	(764,512)	103,250	(661,262)
<i>Net Assets Beginning of Year</i>	<u>45,583,616</u>	<u>881,537</u>	<u>46,465,153</u>
<i>Net Assets End of Year</i>	<u>\$44,819,104</u>	<u>\$984,787</u>	<u>\$45,803,891</u>

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2004

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$4,124,803	\$1,203,726	\$5,328,529
Cash Received from Tap-In Fees	629,289	0	629,289
Cash Received from Rentals	0	236,066	236,066
Cash Received from Other Sources	54,153	13,632	67,785
Cash Payments to Employees for Services and Benefits	(1,774,747)	(657,166)	(2,431,913)
Cash Payments for Goods and Services	(1,542,423)	(640,186)	(2,182,609)
Cash Payments for Other Operating Expenses	(132,559)	0	(132,559)
<i>Net Cash Provided by Operating Activities</i>	1,358,516	156,072	1,514,588
Cash Flows from Noncapital Financing Activities			
Transfers In	165,321	7,497	172,818
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,355,761)	(131,524)	(1,487,285)
Principal Paid on OWDA Loans	(1,081,793)	0	(1,081,793)
Interest Paid on OWDA Loans	(490,087)	0	(490,087)
Proceeds from Interfund Loan	0	153,891	153,891
Principal Paid on Interfund Loan	0	(95,152)	(95,152)
Interest Paid on Interfund Loan	0	(73,315)	(73,315)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(2,927,641)	(146,100)	(3,073,741)
<i>Net Increase in Cash and Cash Equivalents</i>	(1,403,804)	17,469	(1,386,335)
<i>Cash and Cash Equivalents Beginning of Year</i>	7,849,374	231,790	8,081,164
<i>Cash and Cash Equivalents End of Year</i>	\$6,445,570	\$249,259	\$6,694,829

(continued)

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

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	(\$213,114)	\$170,343	(\$42,771)
Adjustments:			
Depreciation	1,628,944	46,649	1,675,593
(Increase) Decrease in Assets:			
Accounts Receivable	(197,153)	773	(196,380)
Materials and Supplies Inventory	19,597	(3,416)	16,181
Increase (Decrease) in Liabilities:			
Accounts Payable	110,513	(74,439)	36,074
Accrued Wages and Benefits	1,578	1,668	3,246
Compensated Absences Payable	8,867	8,521	17,388
Vacation Benefits Payable	(193)	5,740	5,547
Intergovernmental Payable	(523)	233	(290)
<i>Net Cash Provided by Operating Activities</i>	<u>\$1,358,516</u>	<u>\$156,072</u>	<u>\$1,514,588</u>

Noncash Capital Financing Activities

During 2004, the bond retirement debt service fund subsidized an OWDA payment in the amount of \$23,126 for the water reclamation enterprise fund. An interfund receivable/payable has been established.

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$937,093</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$937,093</u></u>
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See accompanying notes to the basic financial statements

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

Note 1 - Reporting Entity

The City of Solon is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted November 2, 1954. The mayor is elected for a four-year term and seven Council members are elected at large for four year staggered terms.

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. The primary government of Solon consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Solon this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, a public golf course, sanitation system and general administrative services.

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 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 for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool and a jointly governed organization. These organizations are the Northern Ohio Risk Management Association and the Northeast Ohio Public Energy Council. These organizations are presented in Notes 16 and 17 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 unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. 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 Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program 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 are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

General Obligation Bond Retirement Fund The general obligation bond retirement fund accounts for property taxes, special assessments and other resources used for the payment of principal and interest on general long-term and short-term debt, including related costs.

City of Solon, Ohio
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Infrastructure Fund The infrastructure fund is used to account for the receipt of one-fourth of the City income tax revenues approved by the voters for the purpose of paying the costs to construct, reconstruct and maintain City-owned infrastructure.

Community Center Fund The community center fund accounts for transfers from other funds and the sale of general obligation notes for the purpose of paying the cost of the new Community Center.

Building Construction Fund The building construction fund accounts for transfers from other funds and the sale of general obligation notes for the purpose of paying the cost to build and construct various City buildings.

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. The City has no internal service funds.

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 Reclamation Fund The water reclamation fund accounts for the revenues and expenses of the City owned wastewater system.

Grantwood Recreation Fund The grantwood recreation fund accounts for the revenues and expenses of the City owned golf course.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City only utilizes the agency fund type. The agency funds are used to hold inspection deposits and to provide scholarships for students in the DARE program.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of 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 (i.e., revenues and other

City of Solon, Ohio
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financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a 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 fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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 and the statements presented for the proprietary and fiduciary funds are prepared using 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 thirty one days of year-end.

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

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), fees, fines and forfeitures, interest and grants and entitlements.

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

City of Solon, Ohio
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Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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 are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2004, investments were limited to STAROhio, repurchase agreements, federal home loan bank bonds, federal home loan mortgage corporation bonds, federal home loan mortgage corporation notes and federal national mortgage association notes.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurers Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$1,155,225, which includes \$658,149 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

F. Prepaid Items

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

City of Solon, Ohio
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G. Inventory

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

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. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Land Improvements	20 Years	20 Years
Buildings	40 Years	40 Years
Equipment and Furniture	5-30 Years	5-65 years
Vehicles	3-20 years	7-20 years
Infrastructure	20 years	20 years

For 2004, the City reported infrastructure consisting of roadways, sanitary sewers, bridges and culverts and includes infrastructure acquired prior to December 31, 1980. The reporting of infrastructure will be completed in 2005 with the inclusion of sidewalks and storm sewers.

I. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". 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 Solon, Ohio
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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 termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

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 Balance Reserves

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 encumbrances, long-term advances and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$28,355,797 of restricted net assets, of which \$18,266,863 is restricted by enabling legislation. Net assets restricted for other purposes include street construction, maintenance and repair, recreation, senior services and law enforcement.

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

City of Solon, Ohio
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For the Year Ended December 31, 2004

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water reclamation and the Grantwood golf course. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

O. Interfund Activity

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

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

P. 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.

Q. 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.

R. 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 the City Council may appropriate. The appropriations resolution is the City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the function and object group level within the general fund and at the fund and object group level for all other funds. Any budgetary modifications at this level may only be made by resolution of the City Council. Authority to further allocate Council appropriations within departments has been given to the Director of Finance.

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

Note 3 – Changes in Accounting Principle and Restatement of Net Assets

A. Change in Accounting Principle

For 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers.

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the City.

B. Restatement of Net Assets

The City of Solon has restated capital asset totals for the inclusion of storm sewers in the amount of \$17,041,365. This restatement changed ending net assets at December 31, 2003 from \$95,465,817 to \$112,507,182.

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - is presented for the general fund on the

City of Solon, Ohio
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For the Year Ended December 31, 2004

budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

- a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- b) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- c) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- d) Unrecorded cash represents amounts received but not reported by the City on the operating statements (budget), but which is reported on the GAAP basis operating statements.
- e) Investments are reported at cost (budget) rather than at fair value (GAAP).
- f) Interfund Loans and loan repayments are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$1,496,038)
Net Adjustment for Revenue Accruals	(141,891)
Beginning Fair Value Adjustment for Investments	(290,695)
Ending Fair Value Adjustment for Investments	673,274
Net Adjustment for Expenditure Accruals	47,755
Interfund Loan Repayment	95,152
Interfund Loan	(153,891)
Beginning Unrecorded Cash	(24,304)
Encumbrances	(656,829)
Budget Basis	<u><u>(\$1,947,467)</u></u>

Note 5 – Accountability

The police and fire pension special revenue funds have deficit fund balances as of December 31, 2004 in the amounts of \$87,773 and \$172,238 respectively. The special revenue funds' deficits are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

City of Solon, Ohio
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For the Year Ended December 31, 2004

The community center and the building construction capital projects funds have deficit fund balances as of December 31, 2004 in the amounts of \$4,018,842 and \$1,116,553 respectively. The capital projects funds' deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, these deficits will be eliminated.

Note 6 - Deposits and Investments

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Solon, Ohio
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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. The State Treasurer's investment pool (STAROhio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or, custodian.

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits At year-end, the carrying amount of the City's deposits was \$3,942,094 and the bank balance was \$4,208,005. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$4,008,005 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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Type	Category 3	Carrying Value	Fair Value
STAROhio		\$509,679	\$509,679
Repurchase Agreement	\$974,964	974,964	974,964
Federal Home Loan Bank Bonds	12,876,290	12,876,290	12,876,290
Federal Home Loan Mortgage Corporation Bonds	400,124	400,124	400,124
Federal Home Loan Mortgage Corporation Notes	23,633,600	23,633,600	23,633,600
Federal National Mortgage Association Notes	14,216,712	14,216,712	14,216,712
Total	<u>\$52,101,690</u>	<u>\$52,611,369</u>	<u>\$52,611,369</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3, is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$56,553,463	\$0
Investments		
STAROhio	(509,679)	509,679
Repurchase Agreement	(974,964)	974,964
Federal Home Loan Bank Bonds	(12,876,290)	12,876,290
Federal Home Loan Mortgage Corporation Bonds	(400,124)	400,124
Federal Home Loan Mortgage Corporation Notes	(23,633,600)	23,633,600
Federal National Mortgage Association Notes	<u>(14,216,712)</u>	<u>14,216,712</u>
GASB Statement No. 3	<u>\$3,942,094</u>	<u>\$52,611,369</u>

Note 7 – Receivables

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), special assessments, interest and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected in more than one year amount to \$2,631,852 in the general obligation bond retirement fund. At December 31, 2004, the amount of delinquent special assessments was \$23,465.

City of Solon, Ohio
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A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventories.

The full tax rate for all City operations for the year ended December 31, 2004 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$971,412,730
Public Utility Personal Property	20,527,840
Tangible Personal Property	<u>196,907,091</u>
Total	<u><u>\$1,188,847,661</u></u>

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

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

The County Treasurer collects property tax on behalf of all taxing districts within the County, including the City of Solon. The County Auditor periodically remits to the City its portions of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the general fund, the general obligation bond retirement fund, the police pension and fire pension special revenue funds and the safety and service equipment capital projects fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

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B. Income Tax

The City levies and collects an income tax of 2.0 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least monthly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2004, the proceeds were allocated seventy-five percent to the general fund and twenty-five percent to the infrastructure capital projects fund.

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Local Government	\$427,383
Homestead and Rollback	219,965
Auto Regulation	185,617
Gasoline Tax	182,500
Estate Tax	171,477
Cents per Gallon	147,309
Prisoner Housing	39,825
City of Bedford	19,698
United States Treasury	10,386
County Auditor	2,400
City of Walton Hills	1,241
City of Broadview Heights	75
State of Ohio	<u>70</u>
Total Intergovernmental Receivables	<u><u>\$1,407,946</u></u>

Note 8 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2004.

City of Solon, Ohio
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For the Year Ended December 31, 2004

B. Litigation

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

Note 9 - Capital Assets

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

	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/04</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$7,722,371	\$26,274	\$0	\$7,748,645
Construction in progress	254,483	327,687	(455,132)	127,038
Total Capital Assets Not Being Depreciated	<u>7,976,854</u>	<u>353,961</u>	<u>(455,132)</u>	<u>7,875,683</u>
Capital Assets Being Depreciated				
Land improvements	611,211	246,253	0	857,464
Buildings	50,092,930	864,648	0	50,957,578
Equipment and Furniture	3,105,526	471,577	0	3,577,103
Vehicles	8,186,941	637,063	(91,700)	8,732,304
Infrastructure	59,888,706	0	0	59,888,706
Total Capital Assets Being Depreciated	<u>121,885,314</u>	<u>2,219,541</u>	<u>(91,700)</u>	<u>124,013,155</u>
Less Accumulated Depreciation				
Land improvements	(258,743)	(42,873)	0	(301,616)
Buildings	(6,216,025)	(1,282,238)	0	(7,498,263)
Equipment and Furniture	(1,554,506)	(260,383)	0	(1,814,889)
Vehicles	(3,924,257)	(740,521)	70,650	(4,594,128)
Infrastructure	(28,062,430)	(1,972,667)	0	(30,035,097)
Total Accumulated Depreciation	<u>(40,015,961)</u>	<u>(4,298,682) *</u>	<u>70,650</u>	<u>(44,243,993)</u>
Capital Assets Being Depreciated, net	<u>81,869,353</u>	<u>(2,079,141)</u>	<u>(21,050)</u>	<u>79,769,162</u>
Governmental Activities Capital Assets, net	<u>\$89,846,207</u>	<u>(\$1,725,180)</u>	<u>(\$476,182)</u>	<u>\$87,644,845</u>

City of Solon, Ohio
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	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
Business Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$3,150,174	\$0	\$0	\$3,150,174
Capital Assets Being Depreciated				
Land Improvements	248,407	0	0	248,407
Buildings	27,945,377	64,763	0	28,010,140
Equipment and Furniture	5,484,265	317,114	(14,836)	5,786,543
Vehicles	658,098	105,344	0	763,442
Infrastructure	41,552,070	1,000,064	0	42,552,134
Total Capital Assets Being Depreciated	75,888,217	1,487,285	(14,836)	77,360,666
Less Accumulated Depreciation				
Land Improvements	(217,171)	(5,375)	0	(222,546)
Buildings	(6,736,217)	(699,826)	0	(7,436,043)
Equipment and Furniture	(3,600,065)	(261,647)	13,561	(3,848,151)
Vehicles	(419,790)	(45,588)	0	(465,378)
Infrastructure	(11,608,600)	(663,157)	0	(12,271,757)
Total Accumulated Depreciation	(22,581,843)	(1,675,593)	13,561	(24,243,875)
Capital Assets Being Depreciated, net	53,306,374	(188,308)	(1,275)	53,116,791
Business Type Activities Capital Assets, net	\$56,456,548	(\$188,308)	(\$1,275)	\$56,266,965

* Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	
Police	\$376,054
Fire	379,424
Leisure Time Activities	601,317
Community Environment	653,389
Transportation	1,972,667
General Government	315,831
Total Depreciation Expense	<u>\$4,298,682</u>

Note 10 - Risk Management

A. Property and Liability

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. In October 1989, The City joined together with neighboring cities to form the Northern Ohio Risk Management Agency (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through

City of Solon, Ohio
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commercial companies for claims in excess of the limits described in the agreement. This coverage is paid from the general fund.

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

B. Workers' Compensation

The City pays the Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Employee Health Benefits

The City provides employee health and prescription drug benefits through a partially self insured program. The City is using the general fund to account for and finance the cost of this program.

Claims within the network are subject to \$100 single and \$200 family deductible, then are covered 100 percent. Claims out of network are subject to \$200 single and \$400 family deductible followed by 90/10 percent co-insurance for the next \$1,000 single and \$2,000 family, then 100 percent. The City is liable for the first \$50,000 per person per year and a calculated aggregate maximum of \$581,801. Employees in the self insured plan pay \$2 generic or \$9 brand name for each prescription drug.

Third party administrators, Medical Mutual of Ohio and Ameriscript, review all the health claims and all the prescription drug claims, respectively, which are then paid by the City. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information based upon the number of family and single plans.

The claims liability of \$130,271 reported in the general fund at December 31, 2004 was estimated by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount for 2003 and 2004 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$112,531	\$1,080,523	\$1,090,670	\$102,384
2004	102,384	978,658	950,771	130,271

Note 11 - Defined Benefit Pension Plans

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of Solon participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,098,450, \$893,920, and \$837,780 respectively; 89.71 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$21,697 made by the City and \$13,611 made by the plan members.

B. OHIO POLICE AND FIRE PENSION FUND

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

City of Solon, Ohio
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Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$337,717 and \$648,755 for the year ended December 31, 2004, \$315,927 and \$566,535 for the year ended December 31, 2003 and \$302,085 and \$502,689 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 73.82 percent and 75.15 percent has been contributed for 2004.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$460,084. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

City of Solon, Ohio
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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 increasing health care costs.

B. OHIO POLICE AND FIRE PENSION FUND

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$222,750 for police and \$309,406 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 13 – Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Accumulated vacation leave must be taken within twelve months after credited or be forfeited unless approved by Council by motion.

Sick leave is earned at the rate of 4.6 hours per eighty hours worked by each employee to a maximum of 15 days or 120 hours per year. Each employee with the City hired prior to December 31, 1988, is paid for up to 120 days or a maximum of 960 hours in full and one day for every three days of accumulated sick leave in excess of 120 days. Each employee with the City hired after December 31, 1988, is paid for up to 45 days or a maximum of 360 hours in full and one day for every four days of accumulated sick leave in excess of 45 days. This benefit is paid to an employee upon retirement under a pension plan resulting from his public employment, or his estate upon death.

City of Solon, Ohio
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Various departments allow compensation time to be earned on the same basis as overtime in lieu of overtime. Compensation time is subject to the regulations of the Fair Labor Standards Act (FLSA).

Note 14 - Note Debt

The City's note activity, including amounts outstanding and interest rates is as follows:

	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/04</u>
2.75% Matures December 1, 2005				
Community Center Fund	\$5,000,000	\$4,650,000	\$5,000,000	\$4,650,000
Unamortized Premium	45,100	33,900	47,925	31,075
2.75% Matures December 1, 2005				
Building Construction Fund	<u>2,000,000</u>	<u>1,850,000</u>	<u>2,000,000</u>	<u>1,850,000</u>
Total	<u><u>\$7,045,100</u></u>	<u><u>\$6,533,900</u></u>	<u><u>\$7,047,925</u></u>	<u><u>\$6,531,075</u></u>

In 2004, the City issued \$4,650,000 in Various Improvement bond anticipation notes for the construction of the community center which was completed during 2003. These notes mature on December 1, 2005.

In 2004, the City issued \$1,850,000 in Various Improvement bond anticipation notes for various construction projects throughout the City. These notes mature on December 1, 2005.

The community center note was issued at a premium of \$33,900. The notes are backed by the full faith and credit of the City of Solon and mature within one year. The note liability is reflected in the fund which received the proceeds.

City of Solon, Ohio
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Note 15 - Long-Term Obligations

The changes in long-term obligations during the year were as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
1993 \$7,350,000 - 5.19%					
New City Hall Construction	\$4,545,000	\$0	(\$355,000)	\$4,190,000	\$370,000
1995 \$6,695,000 - 4.88%					
Various Purpose Refunding	2,495,000	0	(580,000)	1,915,000	605,000
1997 \$3,700,000 - 5.70%					
Library Building	2,920,000	0	(150,000)	2,770,000	165,000
2002 \$12,235,000 - 3.00% to 4.60%					
Community Center	10,875,000	0	(710,000)	10,165,000	730,000
<i>Total General Obligation Bonds</i>	<u>20,835,000</u>	<u>0</u>	<u>(1,795,000)</u>	<u>19,040,000</u>	<u>1,870,000</u>
Special Assessment Bonds					
1985 \$2,100,000 - 8.25%					
Sherbrook Drive	210,000	0	(105,000)	105,000	105,000
1992 \$1,500,000 - 6.31%					
County Issued Miles Sewer	688,350	0	(71,130)	617,220	68,835
<i>Total Special Assessment Bonds</i>	<u>898,350</u>	<u>0</u>	<u>(176,130)</u>	<u>722,220</u>	<u>173,835</u>
OWDA Loans					
1993 \$5,894,814 - 4.30%					
Northeast Pump	1,497,353	0	(122,725)	1,374,628	128,058
1997 \$1,249,104 - 4.16%					
Aurora/Liberty Sanitary Sewer	922,713	0	(54,789)	867,924	57,092
2004 \$5,861,485 - 1.87%					
Aurora Road West Draw	4,407,451	1,454,034	(126,842)	5,734,643	256,449
<i>Total OWDA Loans</i>	<u>6,827,517</u>	<u>1,454,034</u>	<u>(304,356)</u>	<u>7,977,195</u>	<u>441,599</u>
OPWC Loans					
1996 \$952,295 - 0%					
Solon Allotment	523,762	0	(47,615)	476,147	47,615
1999 \$195,500 - 0%					
Cochran Project	130,333	0	(13,033)	117,300	13,033
<i>Total OPWC Loans</i>	<u>654,095</u>	<u>0</u>	<u>(60,648)</u>	<u>593,447</u>	<u>60,648</u>
Other Long-term Obligations					
Compensated Absences	2,295,038	264,778	(56,255)	2,503,561	506,338
<i>Total General Long-term Obligations</i>	<u>\$31,510,000</u>	<u>\$1,718,812</u>	<u>(\$2,392,389)</u>	<u>\$30,836,423</u>	<u>\$3,052,420</u>

City of Solon, Ohio
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For the Year Ended December 31, 2004

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Amounts Due in One Year
Business-type Activities					
OWDA Loans					
1971 \$509,646 - 6.25%					
Treatment Plant Expansion	\$204,451	\$0	(\$22,163)	\$182,288	\$23,548
1993 \$5,894,814 - 4.30%					
Northeast Pump	2,067,773	0	(169,477)	1,898,296	176,843
1996 \$18,763,183 - 3.04%					
Treatment Plant Upgrade and Expansion	12,732,878	0	(893,954)	11,838,924	921,337
1997 \$401,178 - 3.54%					
Treatment Plant Upgrade and Expansion	283,329	0	(19,325)	264,004	20,015
Total OWDA Loans	15,288,431	0	(1,104,919)	14,183,512	1,141,743
Other Long-term Liabilities					
Compensated Absences	480,454	98,546	(81,158)	497,842	120,080
Interfund Loans 4.16% - 4.75%	2,150,381	153,891	(95,152)	2,209,120	173,390
Total Business-type Activities	\$17,919,266	\$252,437	(\$1,281,229)	\$16,890,474	\$1,435,213

In 1993, the City issued \$7,350,000 in voted general obligation bonds for construction of a new City Hall. The bonds were issued for a twenty year period with a final maturity in 2013.

In 1995, the City issued \$6,695,000 in voted various improvement general obligation bonds for refunding of 1989 and 1990 general obligation bond issues. The bonds were issued for a thirteen year period with a final maturity in 2007.

In 1997, the City issued \$3,700,000 in voted general obligation bonds for construction of the Solon Branch Public Library. The bonds were issued for a twenty year period with a final maturity in 2016.

In 2002, the City issued \$12,235,000 in voted general obligation bonds for construction of the Community Center, Kruse Drive improvements and refunding of a 1992 general obligation bond issue. The bonds were issued for a twenty year period with a final maturity in 2021.

In 1985, the City issued \$2,100,000 in special assessment bonds for the installation of the Sherbrook Drive Water Line. The bonds were issued for a twenty year period with a final maturity in 2005.

In 1992, the City issued \$1,500,000 in special assessment bonds for the installation of the Miles Road Sanitary Sewer Project. The bonds were issued for a twenty year period with a final maturity in 2012.

In 1993, the City received a \$5,894,814 Ohio Water Development Authority loan for the installation of the Creekside and Northeast Pump Stations and the Bainbridge and Liberty Roads Sanitary Sewer Projects. The loan was issued for a twenty year period with a final maturity in 2013.

City of Solon, Ohio
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For the Year Ended December 31, 2004

In 1997, the City received a \$1,249,104 Ohio Water Development Authority loan for the installation of the Aurora/Liberty Sanitary Sewer Project. The loan was issued for a twenty year period with a final maturity in 2016.

In 2004, the City received an additional \$1,454,034 of Ohio Water Development Authority loans for the installation of the Aurora Road West Draw Project. The loan was issued for a twenty year period with a final maturity in 2024.

In 1996, the City received a \$952,295 Ohio Public Works Commission loan for the installation of the Solon Boulevard, Baldwin/Huntington Sanitary Sewer Projects. The loan was issued for a twenty year period with a final maturity in 2015.

In 1999, the City received a \$195,500 Ohio Public Works Commission loan for the improvement of the pavement and street signals at the Solon and Cochran intersection. The loan was issued for a fifteen year period with a final maturity in 2014.

In 1971, the City received a \$509,646 Ohio Water Development Authority loan for the installation of the Northeast Wastewater Treatment Plant. The loan was issued for a forty year period with a final maturity in 2011.

In 1993, the City received a \$5,894,814 Ohio Water Development Authority loan for the installation of the Creekside and Northeast Pump Stations and the Bainbridge and Liberty Roads Sanitary Sewer Projects. The loan was issued for a twenty year period with a final maturity in 2013.

In 1996, the City received a \$18,763,183 Ohio Water Development Authority loan for the expansion of the Central Wastewater Treatment Plant. The loan was issued for a twenty year period with a final maturity in 2015.

In 1997, the City received a \$401,178 Ohio Water Development Authority loan for the expansion of the Central Wastewater Treatment Plant. The loan was issued for a nineteen year period with a final maturity in 2015.

General obligation bonds will be paid from the general bond retirement debt service fund from property taxes. Special assessment bonds were paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OWDA loans will be paid from the general bond retirement debt service fund from property taxes. The OPWC loans will be paid from the infrastructure capital projects fund from income taxes.

The OWDA enterprise fund loans are being paid from the water reclamation enterprise fund from user fees.

Compensated absences will be paid from the general fund, the recreation and the senior services special revenue funds and the water reclamation and the Grantwood recreation enterprise funds.

At December 31, 2004, the Grantwood recreation enterprise fund has borrowed \$2,209,120 from the general fund at interest rates ranging from 4.16 to 4.75 percent. The interfund loans are to be used for improvements to the Grantwood golf course.

City of Solon, Ohio
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For the Year Ended December 31, 2004

The City's overall legal debt margin was \$101,005,191 with an unvoted debt margin of \$41,587,808 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2005	\$1,870,000	\$913,065	\$173,835	\$25,125	\$441,599	\$175,491	\$60,648
2006	1,960,000	833,985	73,424	15,085	453,297	163,793	60,648
2007	2,045,000	745,553	73,424	13,617	465,391	151,700	60,648
2008	1,435,000	650,231	75,719	12,148	477,898	139,192	60,648
2009	1,500,000	585,768	78,013	10,255	490,834	126,256	60,648
2010 - 2014	6,550,000	1,839,181	247,805	16,903	2,476,670	422,975	290,207
2015 - 2019	2,690,000	628,730	0	0	1,701,278	177,317	0
2020 - 2024	990,000	74,750	0	0	1,470,228	53,809	0
Total	\$19,040,000	\$6,271,263	\$722,220	\$93,133	\$7,977,195	\$1,410,533	\$593,447

Business Type Activities

	OWDA Loans	
	Principal	Interest
2005	\$1,141,743	\$453,263
2006	1,179,838	415,168
2007	1,219,248	375,758
2008	1,260,021	334,985
2008	1,302,209	292,798
2010 - 2014	6,805,947	790,197
2015	1,274,506	28,969
Total	\$14,183,512	\$2,691,138

In 2002, the City defeased a 1992 Various Purpose Improvement bond issue in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2004, \$2,290,000 of these bonds outstanding were considered defeased.

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

Note 16 – Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon and South Euclid and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2004, the City of Solon paid \$248,795 in premiums from the general fund, which represents 18.53 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio, 44146.

Note 17 – Jointly Governed Organization

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 over 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Solon did not contribute to NOPEC during 2004. Financial information can be obtained by contacting the Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

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

Note 18 – Municipal Solid Waste Landfill

GASB No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" establishes standards of accounting and financial reporting for municipal solid waste landfill (MSWLF) closure and postclosure care costs that are required to be incurred by federal, state or local laws or regulations. The City of Solon is exempt from this standard since the operator of the landfill is solely responsible for all costs, expenses and fees which may arise in connection with the operation, closure and postclosure care and monitoring as required by the Ohio Environmental Protection Agency regulations and permits of the Solon Landfill as it currently exists.

Note 19 – Interfund Transactions

A. Interfund Balances

At December 31, 2004, there is a long-term interfund receivable/payable existing between the bond retirement debt service fund and the water reclamation enterprise fund in the amount of \$23,126. The nature of the loan is subsidized debt payment from the bond retirement fund to the water reclamation fund.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers To	Transfer From			Total
	General	Infrastructure	Community Center	
<i>Major Funds:</i>				
General Obligation Bond Retirement	\$0	\$40,373	\$0	\$40,373
Community Center	416,100	1,000,000	0	1,416,100
Building Construction	83,900	0	0	83,900
Water Reclamation	165,321	0	0	165,321
Grantwood Recreation	7,497	0	0	7,497
Total Major Funds	\$672,818	\$1,040,373	\$0	\$1,713,191
<i>Nonmajor Funds:</i>				
Police Pension	\$75,000	\$0	\$0	\$75,000
Fire Pension	430,000	0	0	430,000
Cable TV	12,750	0	0	12,750
Recreation	1,625,000	0	0	1,625,000
Senior Services	700,000	0	0	700,000
Landfill Improvement	35,934	0	0	35,934
General Capital Improvements	0	0	950,000	950,000
Total Nonmajor Funds	2,878,684	0	950,000	3,828,684
Total All Funds	\$3,551,502	\$1,040,373	\$950,000	\$5,541,875

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

The general fund transfer to the community center and building construction capital projects funds was to provide payment for the bond anticipation notes payable from \$7,000,000 to \$6,500,000 for year 2004. The infrastructure capital projects fund transfer to the general obligation bond retirement fund was to close out the Kruse Dr. portion of the infrastructure fund. The infrastructure capital projects fund transfer to the community center capital projects fund was to cover the final payment on the community center. The community center capital projects fund transfer to the general capital improvements capital projects fund was a reimbursement for expenditures. The general fund transfer to the water reclamation and the grantwood recreation enterprise funds were to cover their respective shares of interest earnings per City ordinance. The general fund transfer to the landfill special revenue fund was to cover the landfill's share of interest earnings per City ordinance. The general fund transfer to the police and fire pensions special revenue funds were because the .3 mills of property tax received by those funds are not enough to meet the annual liability and payment to the police and fire pension systems. The general fund transfer to the cable TV special revenue fund was to cover the cable TV's share of interest earnings per City ordinance. The general fund transfer to the recreation special revenue fund is an annual subsidy to help keep program fees affordable to participants. The general fund transfer to the senior services special revenue fund is an annual subsidy because there are not enough program fees to maintain the annual operation at the established level.

Note 20 – Subsequent Event

On January 7, 2005, the City of Solon entered into a contract with Kenmore Construction Company, Inc. for the Aurora Road East Infrastructure Improvements project in the amount of \$10,816,673. These funds will be paid out of the infrastructure capital projects fund.

Combining Statements and Individual Fund Schedules

Combining Statements and Individual Fund Schedule

Fund Descriptions - Nonmajor Special Revenue Funds

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) which are legally restricted to expenditure for specified purposes.

Street Construction, Maintenance and Repair Fund - to account for the portion of the State gasoline tax and motor vehicle license fees that is designated for maintenance of streets within the City.

State Highway Fund - to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of State highways within the City.

Police Pension Fund – to account for property taxes levied for the payment of the current and accrued liability for police disability and pension benefits.

Fire Pension Fund - to account for property taxes levied for the payment of the current and accrued liability for fire disability and pension benefits.

Cable TV Fund - to account for the revenues received from cable franchise fees and the expenditures of the Cable TV Commission including a distribution of fifty percent to the Solon City Schools.

Tree Planting Fund – to account for the receipts of deposits by developers for the purpose of purchasing and planting trees in the City.

Street Lighting Fund - to account for special assessments collected to pay the costs of electricity for street lighting. This fund is currently inactive.

Recreation Fund – to account for the receipt of recreation activity fees and transfers from other funds to pay for the cost of operating the City park and recreation programs.

Senior Services Fund - to account for the receipt of senior services activity fees and transfers from other funds to pay the cost of operating the senior services center and related programs.

Police Department Programs Fund - to account for the receipt of grant money used to support the Police Department's DARE Programs.

Landfill Improvement Fund – to account for a reserve set aside for reclamation of the city-owned landfill.

Law Enforcement Trust Fund – to account for the receipt or confiscation of money from law enforcement activities and the expenditures to support the same law enforcement activities.

Community Improvement Corporation Fund – to account for the revenues used for industrial revenue bond administration.

Cemetery Endowment Trust Fund – to account for money put on deposit for the purpose of paying the costs to do extra maintenance of cemetery lots.

Donations Trust Fund – to account for donations made to the Police Department for the purchase of specific equipment.

(continued)

Combining Statements and Individual Fund Schedule (continued)

Fund Descriptions - Nonmajor Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Safety and Service Equipment Fund – to account for the receipt of voter approved one half mill levy for the purchase of police, fire and service department vehicles and equipment.

Old City Hall Renovations Fund – to account for receipt of grant money used to renovate the old Solon City Hall.

General Capital Improvements Fund – to account for the transfers from other funds for the purpose of purchasing land, buildings, vehicles and equipment.

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,224,170	\$2,784,715	\$6,008,885
Accounts Receivable	5,514	0	5,514
Intergovernmental Receivable	560,420	21,439	581,859
Property Taxes Receivable	1,074,461	440,946	1,515,407
<i>Total Assets</i>	<u>\$4,864,565</u>	<u>\$3,247,100</u>	<u>\$8,111,665</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$28,621	\$0	\$28,621
Accrued Wages	51,407	0	51,407
Contracts Payable	0	72,049	72,049
Intergovernmental Payable	412,295	0	412,295
Deferred Revenue	1,548,842	462,385	2,011,227
<i>Total Liabilities</i>	<u>2,041,165</u>	<u>534,434</u>	<u>2,575,599</u>
Fund Balances			
Reserved for Encumbrances	86,330	523,050	609,380
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	2,737,070	0	2,737,070
Capital Projects Funds	0	2,189,616	2,189,616
<i>Total Fund Balances</i>	<u>2,823,400</u>	<u>2,712,666</u>	<u>5,536,066</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,864,565</u>	<u>\$3,247,100</u>	<u>\$8,111,665</u>

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$623,306	\$427,624	\$1,050,930
Intergovernmental	963,835	44,992	1,008,827
Fees, Licenses and Permits	223,244	0	223,244
Rentals	11,563	0	11,563
Charges for Services	2,384,722	34,847	2,419,569
Contributions and Donations	63,731	20,000	83,731
Miscellaneous	55,415	15,227	70,642
<i>Total Revenues</i>	<u>4,325,816</u>	<u>542,690</u>	<u>4,868,506</u>
Expenditures			
Current:			
Security of Persons and Property			
Police	734,551	0	734,551
Fire	1,185,787	0	1,185,787
Leisure Time Activities	4,895,083	0	4,895,083
Community Environment	2,756	0	2,756
Basic Utility Services	63,623	0	63,623
Transportation	1,107,440	0	1,107,440
Capital Outlay	0	1,815,788	1,815,788
<i>Total Expenditures</i>	<u>7,989,240</u>	<u>1,815,788</u>	<u>9,805,028</u>
<i>Excess of Revenues Under Expenditures</i>	(3,663,424)	(1,273,098)	(4,936,522)
Other Financing Sources			
Transfers In	2,878,684	950,000	3,828,684
<i>Net Change in Fund Balances</i>	(784,740)	(323,098)	(1,107,838)
<i>Fund Balances Beginning of Year</i>	<u>3,608,140</u>	<u>3,035,764</u>	<u>6,643,904</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,823,400</u></u>	<u><u>\$2,712,666</u></u>	<u><u>\$5,536,066</u></u>

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

	Street Construction, Maintenance and Repair	State Highway	Police Pension	Fire Pension	Cable TV
Assets					
Equity in Pooled Cash and Cash Equivalents	\$457,228	\$37,113	\$58,949	\$65,890	\$504,777
Accounts Receivable	0	0	0	0	0
Intergovernmental Receivable	476,769	38,657	16,544	16,544	0
Property Taxes Receivable	0	0	429,784	644,677	0
<i>Total Assets</i>	<u>\$933,997</u>	<u>\$75,770</u>	<u>\$505,277</u>	<u>\$727,111</u>	<u>\$504,777</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Accrued Wages	0	0	0	0	0
Intergovernmental Payable	0	0	146,722	238,128	0
Deferred Revenue	408,196	33,097	446,328	661,221	0
<i>Total Liabilities</i>	<u>408,196</u>	<u>33,097</u>	<u>593,050</u>	<u>899,349</u>	<u>0</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	0	3,021
Unreserved, Undesignated (Deficit)	525,801	42,673	(87,773)	(172,238)	501,756
<i>Total Fund Balances</i>	<u>525,801</u>	<u>42,673</u>	<u>(87,773)</u>	<u>(172,238)</u>	<u>504,777</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$933,997</u>	<u>\$75,770</u>	<u>\$505,277</u>	<u>\$727,111</u>	<u>\$504,777</u>

<u>Tree Planting</u>	<u>Street Lighting</u>	<u>Recreation</u>	<u>Senior Services</u>	<u>Police Department Programs</u>	<u>Landfill Improvement</u>	<u>Law Enforcement Trust</u>
\$216,226	\$377	\$100,092	\$113,981	\$183,009	\$1,351,573	\$65,585
0	0	4,712	452	0	350	0
0	0	0	0	0	0	11,906
0	0	0	0	0	0	0
<u>\$216,226</u>	<u>\$377</u>	<u>\$104,804</u>	<u>\$114,433</u>	<u>\$183,009</u>	<u>\$1,351,923</u>	<u>\$77,491</u>
\$0	\$0	\$18,935	\$8,600	\$945	\$17	\$124
0	0	37,545	13,862	0	0	0
0	0	19,821	7,624	0	0	0
0	0	0	0	0	0	0
0	0	76,301	30,086	945	17	124
0	0	54,929	21,861	435	5,992	0
216,226	377	(26,426)	62,486	181,629	1,345,914	77,367
216,226	377	28,503	84,347	182,064	1,351,906	77,367
<u>\$216,226</u>	<u>\$377</u>	<u>\$104,804</u>	<u>\$114,433</u>	<u>\$183,009</u>	<u>\$1,351,923</u>	<u>\$77,491</u>

(continued)

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

	Community Improvement Corporation	Cemetery Endowment Trust	Donations Trust	Total Nonmajor Special Revenue Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,000	\$5,501	\$59,869	\$3,224,170
Accounts Receivable	0	0	0	5,514
Intergovernmental Receivable	0	0	0	560,420
Property Taxes Receivable	0	0	0	1,074,461
<i>Total Assets</i>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$59,869</u>	<u>\$4,864,565</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$28,621
Accrued Wages	0	0	0	51,407
Intergovernmental Payable	0	0	0	412,295
Deferred Revenue	0	0	0	1,548,842
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,041,165</u>
Fund Balances				
Reserved for Encumbrances	0	0	92	86,330
Unreserved, Undesignated (Deficit)	4,000	5,501	59,777	2,737,070
<i>Total Fund Balances</i>	<u>4,000</u>	<u>5,501</u>	<u>59,869</u>	<u>2,823,400</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$59,869</u>	<u>\$4,864,565</u>

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

	Street Construction, Maintenance and Repair	State Highway	Police Pension	Fire Pension	Cable TV
Revenues					
Property Taxes	\$0	\$0	\$311,653	\$311,653	\$0
Intergovernmental	794,168	64,392	34,356	34,356	0
Fees, Licenses and Permits	0	0	0	0	211,545
Rentals	0	0	0	0	0
Charges for Services	0	0	0	0	0
Contributions and Donations	0	0	0	0	0
Miscellaneous	0	0	0	0	7,500
<i>Total Revenues</i>	<u>794,168</u>	<u>64,392</u>	<u>346,009</u>	<u>346,009</u>	<u>219,045</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	0	0	702,009	0	0
Fire	0	0	0	1,185,787	0
Leisure Time Activities	0	0	0	0	161,811
Community Environment	0	0	0	0	0
Basic Utility Services	0	0	0	0	0
Transportation	1,066,936	40,504	0	0	0
<i>Total Expenditures</i>	<u>1,066,936</u>	<u>40,504</u>	<u>702,009</u>	<u>1,185,787</u>	<u>161,811</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(272,768)	23,888	(356,000)	(839,778)	57,234
Other Financing Sources					
Transfers In	0	0	75,000	430,000	12,750
<i>Net Change in Fund Balances</i>	(272,768)	23,888	(281,000)	(409,778)	69,984
<i>Fund Balances Beginning of Year</i>	<u>798,569</u>	<u>18,785</u>	<u>193,227</u>	<u>237,540</u>	<u>434,793</u>
<i>Fund Balances End of Year</i>	<u>\$525,801</u>	<u>\$42,673</u>	<u>(\$87,773)</u>	<u>(\$172,238)</u>	<u>\$504,777</u>

(continued)

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

	Tree Planting	Street Lighting	Recreation	Senior Services	Police Department Programs
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0	0
Fees, Licenses and Permits	0	0	0	0	0
Rentals	0	0	0	11,563	0
Charges for Services	15,870	0	1,989,114	379,738	0
Contributions and Donations	0	0	0	32,300	21,113
Miscellaneous	0	0	5,063	42,852	0
<i>Total Revenues</i>	<u>15,870</u>	<u>0</u>	<u>1,994,177</u>	<u>466,453</u>	<u>21,113</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	0	0	0	0	12,138
Fire	0	0	0	0	0
Leisure Time Activities	0	0	3,610,163	1,119,694	0
Community Environment	0	0	0	0	0
Basic Utility Services	0	0	0	0	0
Transportation	0	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>3,610,163</u>	<u>1,119,694</u>	<u>12,138</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	15,870	0	(1,615,986)	(653,241)	8,975
Other Financing Sources					
Transfers In	0	0	1,625,000	700,000	0
<i>Net Change in Fund Balances</i>	15,870	0	9,014	46,759	8,975
<i>Fund Balances Beginning of Year</i>	<u>200,356</u>	<u>377</u>	<u>19,489</u>	<u>37,588</u>	<u>173,089</u>
<i>Fund Balances End of Year</i>	<u>\$216,226</u>	<u>\$377</u>	<u>\$28,503</u>	<u>\$84,347</u>	<u>\$182,064</u>

Landfill Improvement	Law Enforcement Trust	Community Improvement Corporation	Cemetery Endowment Trust	Donations Trust	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$623,306
0	36,563	0	0	0	963,835
11,699	0	0	0	0	223,244
0	0	0	0	0	11,563
0	0	0	0	0	2,384,722
0	0	0	0	10,318	63,731
0	0	0	0	0	55,415
<u>11,699</u>	<u>36,563</u>	<u>0</u>	<u>0</u>	<u>10,318</u>	<u>4,325,816</u>
0	19,258	0	0	1,146	734,551
0	0	0	0	0	1,185,787
0	0	0	0	3,415	4,895,083
0	0	0	0	2,756	2,756
63,623	0	0	0	0	63,623
0	0	0	0	0	1,107,440
<u>63,623</u>	<u>19,258</u>	<u>0</u>	<u>0</u>	<u>7,317</u>	<u>7,989,240</u>
(51,924)	17,305	0	0	3,001	(3,663,424)
<u>35,934</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,878,684</u>
(15,990)	17,305	0	0	3,001	(784,740)
<u>1,367,896</u>	<u>60,062</u>	<u>4,000</u>	<u>5,501</u>	<u>56,868</u>	<u>3,608,140</u>
<u>\$1,351,906</u>	<u>\$77,367</u>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$59,869</u>	<u>\$2,823,400</u>

City of Solon, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004

	Safety and Service Equipment	Old City Hall Renovations	General Capital Improvements	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$255,074	\$140,348	\$2,389,293	\$2,784,715
Intergovernmental Receivable	21,439	0	0	21,439
Property Taxes Receivable	440,946	0	0	440,946
<i>Total Assets</i>	<u>\$717,459</u>	<u>\$140,348</u>	<u>\$2,389,293</u>	<u>\$3,247,100</u>
Liabilities and Fund Balances				
Liabilities				
Contracts Payable	\$0	\$0	\$72,049	\$72,049
Deferred Revenue	462,385	0	0	462,385
<i>Total Liabilities</i>	<u>462,385</u>	<u>0</u>	<u>72,049</u>	<u>534,434</u>
Fund Balances				
Reserved for Encumbrances	147,089	0	375,961	523,050
Unreserved, Undesignated	107,985	140,348	1,941,283	2,189,616
<i>Total Fund Balances</i>	<u>255,074</u>	<u>140,348</u>	<u>2,317,244</u>	<u>2,712,666</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$717,459</u>	<u>\$140,348</u>	<u>\$2,389,293</u>	<u>\$3,247,100</u>

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

	Safety and Service Equipment	Old City Hall Renovations	General Capital Improvements	Total Nonmajor Capital Projects Funds
Revenues				
Property Taxes	\$427,624	\$0	\$0	\$427,624
Intergovernmental	44,992	0	0	44,992
Charges for Services	0	0	34,847	34,847
Contributions and Donations	0	20,000	0	20,000
Miscellaneous	15,227	0	0	15,227
<i>Total Revenues</i>	487,843	20,000	34,847	542,690
Expenditures				
Capital Outlay	927,387	74,765	813,636	1,815,788
<i>Excess of Revenues Over (Under) Expenditures</i>	(439,544)	(54,765)	(778,789)	(1,273,098)
Other Financing Sources				
Transfers In	0	0	950,000	950,000
<i>Net Change in Fund Balances</i>	(439,544)	(54,765)	171,211	(323,098)
<i>Fund Balances Beginning of Year</i>	694,618	195,113	2,146,033	3,035,764
<i>Fund Balances End of Year</i>	<u>\$255,074</u>	<u>\$140,348</u>	<u>\$2,317,244</u>	<u>\$2,712,666</u>

Fund Descriptions – Fiduciary Funds

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. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

Agency Funds

Inspection Deposits Fund – to account for money held by the City to insure compliance with various City ordinances regarding development within the City.

DARE Scholarship Fund – to account for money held by the City to provide scholarships for students in the DARE program.

City of Solon, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2004

	Beginning Balance 12/31/03	Additions	Deductions	Ending Balance 12/30/04
<i>Inspection Deposits Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$977,358</u>	<u>\$233,188</u>	<u>\$274,771</u>	<u>\$935,775</u>
Liabilities				
Deposits Held and Due to Others	<u>\$977,358</u>	<u>\$233,188</u>	<u>\$274,771</u>	<u>\$935,775</u>
 <i>DARE Scholarship Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,318</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,318</u>
Liabilities				
Deposits Held and Due to Others	<u>\$1,318</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,318</u>
 <i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$978,676</u>	<u>\$233,188</u>	<u>\$274,771</u>	<u>\$937,093</u>
Liabilities				
Deposits Held and Due to Others	<u>\$978,676</u>	<u>\$233,188</u>	<u>\$274,771</u>	<u>\$937,093</u>

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

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$777,118	\$777,165	\$781,006	\$3,841
Municipal Income Taxes	22,298,369	22,300,000	21,723,411	(576,589)
Other Local Taxes	560,318	560,350	690,374	130,024
Intergovernmental	1,390,851	1,390,927	1,409,774	18,847
Investment Income	1,941,132	1,941,248	1,537,804	(403,444)
Fees, Licenses and Permits	723,659	723,700	741,602	17,902
Fines and Forfeitures	300,983	301,000	298,990	(2,010)
Charges for Services	695,860	695,900	689,168	(6,732)
Miscellaneous	14,999	15,000	19,396	4,396
<i>Total Revenues</i>	<u>28,703,289</u>	<u>28,705,290</u>	<u>27,891,525</u>	<u>(813,765)</u>
Expenditures				
Current:				
Security of Persons and Property				
Police				
Personal Services	5,251,441	5,251,441	5,251,441	0
Materials and Supplies	385,026	385,026	336,107	48,919
Contractual Services	400,640	400,640	385,634	15,006
Capital Outlay	20,832	20,832	20,832	0
Total Police	<u>6,057,939</u>	<u>6,057,939</u>	<u>5,994,014</u>	<u>63,925</u>
Fire				
Personal Services	4,936,370	4,936,370	4,936,370	0
Materials and Supplies	210,121	210,121	204,722	5,399
Contractual Services	164,121	164,121	164,121	0
Capital Outlay	9,320	9,320	3,906	5,414
Total Fire	<u>5,319,932</u>	<u>5,319,932</u>	<u>5,309,119</u>	<u>10,813</u>
Prosecutor				
Personal Services	130,195	130,195	127,268	2,927
Materials and Supplies	149,395	149,395	147,355	2,040
Total Prosecutor	<u>279,590</u>	<u>279,590</u>	<u>274,623</u>	<u>4,967</u>
Teen Court				
Personal Services	18,200	18,200	17,635	565
Materials and Supplies	2,200	2,200	1,530	670
Total Teen Court	<u>20,400</u>	<u>20,400</u>	<u>19,165</u>	<u>1,235</u>
Total Prosecutor	<u>299,990</u>	<u>299,990</u>	<u>293,788</u>	<u>6,202</u>
Total Security of Persons and Property	<u>\$11,677,861</u>	<u>\$11,677,861</u>	<u>\$11,596,921</u>	<u>\$80,940</u>

(continued)

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Health and Welfare				
Cemetery				
Personal Services	\$45,541	\$45,541	\$45,541	\$0
Materials and Supplies	8,600	8,600	6,969	1,631
Total Cemetery	54,141	54,141	52,510	1,631
County Health District				
Contractual Services	70,135	70,135	70,135	0
Total Public Health and Welfare	124,276	124,276	122,645	1,631
Community Environment				
Planning and Zoning				
Personal Services	429,716	429,716	429,716	0
Materials and Supplies	7,762	7,762	7,269	493
Contractual Services	22,803	22,803	19,259	3,544
Capital Outlay	8,000	8,000	4,891	3,109
Total Planning and Zoning	468,281	468,281	461,135	7,146
Development Board				
Personal Services	13,099	13,099	13,099	0
Materials and Supplies	6,490	6,490	3,418	3,072
Contractual Services	26,000	26,000	23,362	2,638
Total Development Board	45,589	45,589	39,879	5,710
Building Department				
Personal Services	515,172	515,172	515,172	0
Materials and Supplies	15,970	15,970	14,098	1,872
Contractual Services	39,731	39,731	39,731	0
Capital Outlay	20,000	20,000	19,826	174
Total Building Department	590,873	590,873	588,827	2,046
Engineering Department				
Personal Services	872,356	872,356	861,162	11,194
Materials and Supplies	30,994	30,994	28,288	2,706
Contractual Services	152,403	152,403	136,520	15,883
Capital Outlay	14,588	14,588	11,036	3,552
Total Engineering Department	\$1,070,341	\$1,070,341	\$1,037,006	\$33,335

(continued)

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beautification Commission				
Personal Services	\$8,345	\$8,345	\$8,345	\$0
Materials and Supplies	21,209	21,209	17,007	4,202
Contractual Services	15,300	15,300	11,247	4,053
Capital Outlay	850	850	270	580
Total Beautification Commission	45,704	45,704	36,869	8,835
Total Community Environment	2,220,788	2,220,788	2,163,716	57,072
Basic Utility Services				
Storm Sewers				
Personal Services	275,474	275,474	275,474	0
Materials and Supplies	17,008	17,008	17,008	0
Contractual Services	167	167	167	0
Total Storm Sewers	292,649	292,649	292,649	0
Trees, Leaf and Brush				
Personal Services	91,120	91,120	91,120	0
Materials and Supplies	500	500	500	0
Contractual Services	32,496	32,496	32,496	0
Total Trees, Leaf and Brush	124,116	124,116	124,116	0
Refuse Collection and Disposal				
Personal Services	906,410	906,410	906,410	0
Materials and Supplies	145,996	145,996	145,996	0
Contractual Services	37,626	37,626	37,626	0
Total Refuse Collection and Disposal	1,090,032	1,090,032	1,090,032	0
Total Basic Utility Services	1,506,797	1,506,797	1,506,797	0
Transportation				
Street Lighting				
Contractual Services	650,248	650,248	650,248	0
Street Department				
Personal Services	1,714,999	1,714,999	1,714,999	0
Materials and Supplies	1,111,908	1,111,908	1,111,908	0
Contractual Services	174,629	174,629	174,629	0
Capital Outlay	102,306	102,306	102,306	0
Total Street Department	3,103,842	3,103,842	3,103,842	0
Total Transportation	\$3,754,090	\$3,754,090	\$3,754,090	\$0

(continued)

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Council				
Personal Services	\$270,473	\$270,473	\$265,030	\$5,443
Materials and Supplies	16,133	16,133	14,810	1,323
Contractual Services	65,000	65,000	65,000	0
Capital Outlay	2,000	2,000	521	1,479
Total Council	353,606	353,606	345,361	8,245
Mayor				
Personal Services	229,603	229,603	225,813	3,790
Materials and Supplies	6,525	6,525	4,681	1,844
Contractual Services	7,321	7,321	6,762	559
Capital Outlay	2,500	2,500	2,165	335
Total Mayor	245,949	245,949	239,421	6,528
Finance				
Personal Services	645,825	645,825	645,825	0
Materials and Supplies	23,481	23,481	23,481	0
Contractual Services	82,865	82,865	82,865	0
Capital Outlay	2,000	2,000	1,119	881
Total Finance	754,171	754,171	753,290	881
Legal Department				
Personal Services	101,915	101,915	101,915	0
Contractual Services	133,280	146,280	146,280	0
Total Legal Department	235,195	248,195	248,195	0
Human Resources				
Personal Services	223,813	223,813	223,813	0
Materials and Supplies	2,846	2,846	1,928	918
Contractual Services	92,991	92,991	89,645	3,346
Capital Outlay	8,114	8,114	6,478	1,636
Total Human Resources	327,764	327,764	321,864	5,900
Civil Service				
Personal Services	3,798	3,798	3,798	0
Materials and Supplies	1,555	1,555	526	1,029
Contractual Services	20,997	20,997	18,490	2,507
Total Civil Service	\$26,350	\$26,350	\$22,814	\$3,536

(continued)

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall				
Personal Services	\$146,481	\$146,481	\$145,055	\$1,426
Materials and Supplies	400	400	150	250
Contractual Services	1,652	1,652	1,316	336
Capital Outlay	1,415,277	1,415,277	1,415,277	0
Total City Hall	1,563,810	1,563,810	1,561,798	2,012
Income Tax Department				
Personal Services	289,478	289,478	289,478	0
Materials and Supplies	50,605	50,605	50,605	0
Contractual Services	24,822	24,822	24,822	0
Capital Outlay	1,844,702	1,844,702	1,844,702	0
Total Income Tax Department	2,209,607	2,209,607	2,209,607	0
Unclaimed Monies				
Other	50,000	50,000	523	49,477
City Administration				
Personal Services	13,400	13,400	13,400	0
Materials and Supplies	155,908	155,908	154,510	1,398
Contractual Services	1,102,650	1,102,650	1,102,650	0
Capital Outlay	111,669	111,669	111,669	0
Total City Administration	1,383,627	1,383,627	1,382,229	1,398
Sick Leave Reserve				
Personal Services	28,980	28,980	28,980	0
Total General Government	7,179,059	7,192,059	7,114,082	77,977
Total Expenditures	26,462,871	26,475,871	26,258,251	217,620
Excess of Revenues Over Expenditures	2,240,418	2,229,419	1,633,274	(596,145)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	29,500	29,500
Interfund Loan Repayments	95,152	95,152	95,152	0
Interfund Loans	(153,891)	(153,891)	(153,891)	0
Transfers Out	(4,393,738)	(4,393,738)	(3,551,502)	842,236
Total Other Financing Sources (Uses)	(4,452,477)	(4,452,477)	(3,580,741)	871,736
Net Change in Fund Balance	(2,212,059)	(2,223,058)	(1,947,467)	275,591
Fund Balance Beginning of Year	25,489,970	25,489,970	25,489,970	0
Prior Year Encumbrances Appropriated	808,064	808,064	808,064	0
Fund Balance End of Year	\$24,085,975	\$24,074,976	\$24,350,567	\$275,591

City of Solon, Ohio
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Obligation Bond Retirement Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,685,820	\$2,685,820	\$3,022,762	\$336,942
Special Assessments	839,072	839,072	406,647	(432,425)
Intergovernmental	286,299	286,299	286,299	0
Fees, Licenses and Permits	90,000	90,000	125,283	35,283
<i>Total Revenues</i>	<u>3,901,191</u>	<u>3,901,191</u>	<u>3,840,991</u>	<u>(60,200)</u>
Expenditures				
Current:				
General Government				
Legislative and Executive				
Contractual Services	42,000	42,000	11,694	30,306
Other	249,000	249,000	244,186	4,814
Total Legislative and Executive	<u>291,000</u>	<u>291,000</u>	<u>255,880</u>	<u>35,120</u>
Debt Service:				
Principal Retirement	9,300,000	9,300,000	9,298,612	1,388
Interest and Fiscal Charges	980,000	1,340,000	1,314,679	25,321
Total Debt Service	<u>10,280,000</u>	<u>10,640,000</u>	<u>10,613,291</u>	<u>26,709</u>
<i>Total Expenditures</i>	<u>10,571,000</u>	<u>10,931,000</u>	<u>10,869,171</u>	<u>61,829</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(6,669,809)</u>	<u>(7,029,809)</u>	<u>(7,028,180)</u>	<u>1,629</u>
Other Financing Sources				
General Obligation Notes Issued	7,000,000	7,000,000	6,533,900	(466,100)
Transfers In	0	0	540,373	540,373
Total Other Financing Sources	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,074,273</u>	<u>74,273</u>
<i>Net Change in Fund Balance</i>	330,191	(29,809)	46,093	75,902
<i>Fund Balance Beginning of Year</i>	<u>2,298,675</u>	<u>2,298,675</u>	<u>2,298,675</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,628,866</u>	<u>\$2,268,866</u>	<u>\$2,344,768</u>	<u>\$75,902</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Infrastructure Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Municipal Income Taxes	\$6,685,847	\$6,685,847	\$4,945,966	(\$1,739,881)
Intergovernmental	0	0	10,000	10,000
<i>Total Revenues</i>	<u>6,685,847</u>	<u>6,685,847</u>	<u>4,955,966</u>	<u>(1,729,881)</u>
Expenditures				
Capital Outlay	16,205,323	16,205,323	7,895,755	8,309,568
Debt Service:				
Principal Retirement	60,650	60,650	60,648	2
<i>Total Expenditures</i>	<u>16,265,973</u>	<u>16,265,973</u>	<u>7,956,403</u>	<u>8,309,570</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(9,580,126)</u>	<u>(9,580,126)</u>	<u>(3,000,437)</u>	<u>6,579,689</u>
Other Financing Sources (Uses)				
OWDA Loans Issued	0	0	1,454,034	1,454,034
Transfers Out	(1,040,373)	(1,040,373)	(1,040,373)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,040,373)</u>	<u>(1,040,373)</u>	<u>413,661</u>	<u>1,454,034</u>
<i>Net Change in Fund Balance</i>	(10,620,499)	(10,620,499)	(2,586,776)	8,033,723
<i>Fund Balance Beginning of Year</i>	12,254,674	12,254,674	12,254,674	0
Prior Year Encumbrances Appropriated	2,265,974	2,265,974	2,265,974	0
<i>Fund Balance End of Year</i>	<u>\$3,900,149</u>	<u>\$3,900,149</u>	<u>\$11,933,872</u>	<u>\$8,033,723</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Community Center Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay	<u>1,351,009</u>	<u>1,351,009</u>	<u>886,639</u>	<u>464,370</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,351,009)</u>	<u>(1,351,009)</u>	<u>(886,639)</u>	<u>464,370</u>
Other Financing Sources (Uses)				
Transfers In	900,000	900,000	1,000,000	100,000
Transfers Out	<u>(950,000)</u>	<u>(950,000)</u>	<u>(950,000)</u>	<u>0</u>
<i>Total Other Financing Sources</i>	<u>(50,000)</u>	<u>(50,000)</u>	<u>50,000</u>	<u>100,000</u>
<i>Net Change in Fund Balance</i>	(1,401,009)	(1,401,009)	(836,639)	564,370
<i>Fund Balance Beginning of Year</i>	873,322	873,322	873,322	0
Prior Year Encumbrances Appropriated	<u>601,009</u>	<u>601,009</u>	<u>601,009</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$73,322</u></u>	<u><u>\$73,322</u></u>	<u><u>\$637,692</u></u>	<u><u>\$564,370</u></u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Building Construction Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay	<u>896,632</u>	<u>896,632</u>	<u>429,229</u>	<u>467,403</u>
<i>Net Change in Fund Balance</i>	(896,632)	(896,632)	(429,229)	467,403
<i>Fund Balance Beginning of Year</i>	572,464	572,464	572,464	0
Prior Year Encumbrances Appropriated	<u>376,632</u>	<u>376,632</u>	<u>376,632</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$52,464</u></u>	<u><u>\$52,464</u></u>	<u><u>\$519,867</u></u>	<u><u>\$467,403</u></u>

City of Solon, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Reclamation Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$5,449,000	\$5,449,000	\$4,124,803	(\$1,324,197)
Tap-In Fees	500,000	500,000	629,289	129,289
Miscellaneous	11,000	11,000	54,153	43,153
<i>Total Revenues</i>	<u>5,960,000</u>	<u>5,960,000</u>	<u>4,808,245</u>	<u>(1,151,755)</u>
Expenses				
Personal Services	1,907,200	1,907,200	1,817,168	90,032
Materials and Supplies	354,570	354,570	302,737	51,833
Contractual Services	2,040,400	2,040,400	1,630,825	409,575
Other	132,559	132,559	132,559	0
Capital Outlay	2,271,640	2,271,640	1,585,736	685,904
Debt Service:				
Principal Retirement	1,104,920	1,104,920	1,081,793	23,127
Interest and Fiscal Charges	490,087	490,087	490,087	0
<i>Total Expenses</i>	<u>8,301,376</u>	<u>8,301,376</u>	<u>7,040,905</u>	<u>1,260,471</u>
<i>Excess of Revenues Under Expenses</i>	(2,341,376)	(2,341,376)	(2,232,660)	108,716
Transfers In	590,000	590,000	165,321	(424,679)
Transfers Out	(500,000)	(500,000)	0	500,000
<i>Net Change in Fund Equity</i>	(2,251,376)	(2,251,376)	(2,067,339)	184,037
<i>Fund Equity Beginning of Year</i>	7,117,349	7,117,349	7,117,349	0
Prior Year Encumbrances Appropriated	734,469	734,469	734,469	0
<i>Fund Equity End of Year</i>	<u>\$5,600,442</u>	<u>\$5,600,442</u>	<u>\$5,784,479</u>	<u>\$184,037</u>

City of Solon, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Grantwood Recreation Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,249,888	\$1,249,888	\$1,203,726	(\$46,162)
Rentals	266,123	266,123	236,066	(30,057)
Proceeds of Interfund Loan	102,192	102,192	153,891	51,699
Miscellaneous	4,300	9,300	13,632	4,332
<i>Total Revenues</i>	<u>1,622,503</u>	<u>1,627,503</u>	<u>1,607,315</u>	<u>(20,188)</u>
Expenses				
Personal Services	662,937	669,074	669,074	0
Materials and Supplies	281,586	284,228	284,228	0
Contractual Services	354,464	357,771	357,771	0
Capital Outlay	197,944	199,065	131,524	67,541
Debt Service:				
Principal Retirement	95,152	95,152	95,152	0
Interest and Fiscal Charges	97,335	97,335	73,315	24,020
<i>Total Expenses</i>	<u>1,689,418</u>	<u>1,702,625</u>	<u>1,611,064</u>	<u>91,561</u>
<i>Excess of Revenues Under Expenses</i>	(66,915)	(75,122)	(3,749)	71,373
Transfers In	7,497	7,497	7,497	0
<i>Net Change in Fund Equity</i>	(59,418)	(67,625)	3,748	71,373
<i>Fund Equity Beginning of Year</i>	139,991	139,991	139,991	0
Prior Year Encumbrances Appropriated	92,314	92,314	92,314	0
<i>Fund Equity End of Year</i>	<u>\$172,887</u>	<u>\$164,680</u>	<u>\$236,053</u>	<u>\$71,373</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$689,000	\$689,000	\$779,981	\$90,981
Expenditures				
Current:				
Transportation				
Street Maintenance and Repair				
Contractual Services	<u>1,000,000</u>	<u>1,100,000</u>	<u>1,066,936</u>	<u>33,064</u>
<i>Net Change in Fund Balance</i>	(311,000)	(411,000)	(286,955)	124,045
<i>Fund Balance Beginning of Year</i>	<u>744,183</u>	<u>744,183</u>	<u>744,183</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$433,183</u></u>	<u><u>\$333,183</u></u>	<u><u>\$457,228</u></u>	<u><u>\$124,045</u></u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$56,300	\$56,300	\$63,242	\$6,942
Expenditures				
Current:				
Transportation				
State Highway				
Contractual Services	50,000	50,000	40,504	9,496
<i>Net Change in Fund Balance</i>	6,300	6,300	22,738	16,438
<i>Fund Balance Beginning of Year</i>	14,375	14,375	14,375	0
<i>Fund Balance End of Year</i>	<u>\$20,675</u>	<u>\$20,675</u>	<u>\$37,113</u>	<u>\$16,438</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$314,987	\$314,987	\$311,653	(\$3,334)
Intergovernmental	34,356	34,356	34,356	0
<i>Total Revenues</i>	349,343	349,343	346,009	(3,334)
Expenditures				
Current:				
Security of Persons and Property				
Police				
Personal Services	585,000	585,000	555,287	29,713
<i>Excess of Revenues Under Expenditures</i>	(235,657)	(235,657)	(209,278)	26,379
Other Financing Sources				
Transfers In	150,000	150,000	75,000	(75,000)
<i>Net Change in Fund Balance</i>	(85,657)	(85,657)	(134,278)	(48,621)
<i>Fund Balance Beginning of Year</i>	193,227	193,227	193,227	0
<i>Fund Balance End of Year</i>	<u>\$107,570</u>	<u>\$107,570</u>	<u>\$58,949</u>	<u>(\$48,621)</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$314,987	\$314,987	\$311,653	(\$3,334)
Intergovernmental	34,356	34,356	34,356	0
<i>Total Revenues</i>	349,343	349,343	346,009	(3,334)
Expenditures				
Current:				
Security of Persons and Property				
Fire				
Personal Services	920,000	950,000	947,659	2,341
<i>Excess of Revenues Under Expenditures</i>	(570,657)	(600,657)	(601,650)	(993)
Other Financing Sources				
Transfers In	500,000	500,000	430,000	(70,000)
<i>Net Change in Fund Balance</i>	(70,657)	(100,657)	(171,650)	(70,993)
<i>Fund Balance Beginning of Year</i>	237,540	237,540	237,540	0
<i>Fund Balance End of Year</i>	<u>\$166,883</u>	<u>\$136,883</u>	<u>\$65,890</u>	<u>(\$70,993)</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Cable TV Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees, Licenses and Permits	\$200,000	\$200,000	\$211,545	\$11,545
Miscellaneous	7,500	7,500	7,500	0
<i>Total Revenues</i>	<u>207,500</u>	<u>207,500</u>	<u>219,045</u>	<u>11,545</u>
Expenditures				
Current:				
Leisure Time Activities				
Cable TV				
Personal Services	7,010	7,010	4,157	2,853
Materials and Supplies	8,400	8,400	8,400	0
Contractual Services	23,280	23,280	23,280	0
Capital Outlay	60,000	60,000	33,948	26,052
Other	50,000	100,000	95,142	4,858
<i>Total Expenditures</i>	<u>148,690</u>	<u>198,690</u>	<u>164,927</u>	<u>33,763</u>
<i>Excess of Revenues Over Expenditures</i>	58,810	8,810	54,118	45,308
Other Financing Sources				
Transfers In	10,000	10,000	12,750	2,750
<i>Net Change in Fund Balance</i>	68,810	18,810	66,868	48,058
<i>Fund Balance Beginning of Year</i>	433,608	433,608	433,608	0
Prior Year Encumbrances Appropriated	1,280	1,280	1,280	0
<i>Fund Balance End of Year</i>	<u>\$503,698</u>	<u>\$453,698</u>	<u>\$501,756</u>	<u>\$48,058</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Tree Planting Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$20,000	\$20,000	\$15,870	(\$4,130)
Expenditures				
Current:				
General Government				
Tree Planting				
Contractual Services	180,000	180,000	0	180,000
<i>Net Change in Fund Balance</i>	(160,000)	(160,000)	15,870	175,870
<i>Fund Balance Beginning of Year</i>	200,356	200,356	200,356	0
<i>Fund Balance End of Year</i>	<u>\$40,356</u>	<u>\$40,356</u>	<u>\$216,226</u>	<u>\$175,870</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Lighting Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$0	\$0	\$0	\$0
Expenditures	0	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>377</u>	<u>377</u>	<u>377</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$377</u></u>	<u><u>\$377</u></u>	<u><u>\$377</u></u>	<u><u>\$0</u></u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	\$2,340,750	\$2,340,750	\$1,988,087	(\$352,663)
Miscellaneous	5,234	5,234	5,063	(171)
<i>Total Revenues</i>	<u>2,345,984</u>	<u>2,345,984</u>	<u>1,993,150</u>	<u>(352,834)</u>
Expenditures				
Current:				
Leisure Time Activities				
Administration				
Personal Services	623,581	544,987	520,693	24,294
Materials and Supplies	61,422	69,465	69,465	0
Contractual Services	30,000	33,747	33,747	0
Other	23,190	32,210	32,210	0
Total Administration	<u>738,193</u>	<u>680,409</u>	<u>656,115</u>	<u>24,294</u>
Recreation Programs				
Personal Services	175,008	182,223	182,223	0
Materials and Supplies	49,000	41,785	34,161	7,624
Contractual Services	93,500	59,498	59,498	0
Capital Outlay	30,000	15,529	15,529	0
Other	21,000	21,000	20,374	626
Total Recreation Programs	<u>368,508</u>	<u>320,035</u>	<u>311,785</u>	<u>8,250</u>
Swimming Pools				
Personal Services	250,970	308,754	308,754	0
Materials and Supplies	27,000	46,784	46,784	0
Contractual Services	60,500	44,963	44,963	0
Other	1,000	1,000	0	1,000
Total Swimming Pools	<u>339,470</u>	<u>401,501</u>	<u>400,501</u>	<u>1,000</u>
Community Parks				
Personal Services	256,985	285,065	285,065	0
Materials and Supplies	159,203	104,380	104,380	0
Contractual Services	57,891	63,193	63,193	0
Total Community Parks	<u>\$474,079</u>	<u>\$452,638</u>	<u>\$452,638</u>	<u>\$0</u>

(continued)

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation Fund (continued)
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Concession Stand				
Personal Services	\$24,400	\$24,400	\$16,842	\$7,558
Materials and Supplies	28,000	28,000	17,633	10,367
Total Concession Stand	<u>52,400</u>	<u>52,400</u>	<u>34,475</u>	<u>17,925</u>
Youth Recreation Programs				
Personal Services	267,035	291,085	291,085	0
Materials and Supplies	149,709	125,659	117,018	8,641
Contractual Services	268,640	180,098	180,098	0
Total Youth Recreation Programs	<u>685,384</u>	<u>596,842</u>	<u>588,201</u>	<u>8,641</u>
Adult Recreation Programs				
Materials and Supplies	10,500	10,500	5,853	4,647
Contractual Services	14,500	14,500	7,200	7,300
Total Adult Recreation Programs	<u>25,000</u>	<u>25,000</u>	<u>13,053</u>	<u>11,947</u>
Holiday Programs				
Materials and Supplies	19,431	19,431	9,913	9,518
Contractual Services	33,000	32,201	31,543	658
Total Holiday Programs	<u>52,431</u>	<u>51,632</u>	<u>41,456</u>	<u>10,176</u>
Community Center				
Personal Services	413,220	633,990	633,990	0
Materials and Supplies	152,270	124,774	124,774	0
Contractual Services	437,270	424,630	424,630	0
Capital Outlay	23,439	3,439	3,257	182
Other	10,000	4,374	4,374	0
Total Community Center	<u>1,036,199</u>	<u>1,191,207</u>	<u>1,191,025</u>	<u>182</u>
<i>Total Expenditures</i>	<u>3,771,664</u>	<u>3,771,664</u>	<u>3,689,249</u>	<u>82,415</u>
<i>Excess of Revenues Under Expenditures</i>	(1,425,680)	(1,425,680)	(1,696,099)	(270,419)
Other Financing Sources				
Transfers In	<u>1,345,265</u>	<u>1,345,265</u>	<u>1,625,000</u>	<u>279,735</u>
<i>Net Change in Fund Balance</i>	(80,415)	(80,415)	(71,099)	9,316
<i>Fund Balance Beginning of Year</i>	33,029	33,029	33,029	0
Prior Year Encumbrances Appropriated	<u>80,415</u>	<u>80,415</u>	<u>80,415</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$33,029</u>	<u>\$33,029</u>	<u>\$42,345</u>	<u>\$9,316</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Senior Services Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Rentals	\$0	\$0	\$11,563	\$11,563
Charges for Services	365,865	367,266	380,042	12,776
Contributions and Donations	3,985	4,000	32,300	28,300
Miscellaneous	21,960	22,044	42,852	20,808
<i>Total Revenues</i>	<u>391,810</u>	<u>393,310</u>	<u>466,757</u>	<u>73,447</u>
Expenditures				
Current:				
Leisure Time Activities				
Administration				
Personal Services	359,562	364,367	358,184	6,183
Materials and Supplies	22,662	22,970	20,328	2,642
Contractual Services	29,453	29,844	25,921	3,923
Total Administration	<u>411,677</u>	<u>417,181</u>	<u>404,433</u>	<u>12,748</u>
Senior Programs				
Personal Services	325,726	330,098	330,098	0
Materials and Supplies	135,235	136,986	129,755	7,231
Contractual Services	186,124	188,582	177,621	10,961
Capital Outlay	592	600	590	10
Other	12,529	12,700	10,003	2,697
Total Senior Programs	<u>660,206</u>	<u>668,966</u>	<u>648,067</u>	<u>20,899</u>
Miscellaneous				
Materials and Supplies	31,372	31,800	25,224	6,576
Contractual Services	95,943	97,250	78,987	18,263
Total Miscellaneous	<u>127,315</u>	<u>129,050</u>	<u>104,211</u>	<u>24,839</u>
<i>Total Expenditures</i>	<u>1,199,198</u>	<u>1,215,197</u>	<u>1,156,711</u>	<u>58,486</u>
<i>Excess of Revenues Under Expenditures</i>	(807,388)	(821,887)	(689,954)	131,933
Other Financing Sources				
Transfers In	769,500	769,500	700,000	(69,500)
<i>Net Change in Fund Balance</i>	(37,888)	(52,387)	10,046	62,433
<i>Fund Balance Beginning of Year</i>	52,076	52,076	52,076	0
Prior Year Encumbrances Appropriated	27,333	27,333	27,333	0
<i>Fund Balance End of Year</i>	<u>\$41,521</u>	<u>\$27,022</u>	<u>\$89,455</u>	<u>\$62,433</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Department Programs Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$18,000	\$18,000	\$21,113	3,113
Expenditures				
Current:				
Security of Persons and Property				
DARE program				
Materials and Supplies	35,000	35,000	12,573	22,427
Transfer of Prisoners				
Materials and Supplies	130,000	135,000	0	135,000
<i>Total Expenditures</i>	<u>165,000</u>	<u>170,000</u>	<u>12,573</u>	<u>157,427</u>
<i>Net Change in Fund Balance</i>	(147,000)	(152,000)	8,540	160,540
<i>Fund Balance Beginning of Year</i>	<u>173,089</u>	<u>173,089</u>	<u>173,089</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$26,089</u>	<u>\$21,089</u>	<u>\$181,629</u>	<u>\$160,540</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Landfill Improvement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fees, Licenses and Permits	\$20,000	\$20,000	\$13,799	(\$6,201)
Expenditures				
Current:				
Basic Utility Services				
Landfill Improvement				
Materials and Supplies	100,000	100,000	69,615	30,385
<i>Excess of Revenues Under Expenditures</i>	(80,000)	(80,000)	(55,816)	24,184
Other Financing Sources				
Transfers In	40,000	40,000	35,934	(4,066)
<i>Net Change in Fund Balance</i>	(40,000)	(40,000)	(19,882)	20,118
<i>Fund Balance Beginning of Year</i>	1,365,446	1,365,446	1,365,446	0
<i>Fund Balance End of Year</i>	<u>\$1,325,446</u>	<u>\$1,325,446</u>	<u>\$1,345,564</u>	<u>\$20,118</u>

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$27,533	\$27,533	\$26,757	(\$776)
Expenditures				
Current:				
Security of Persons and Property				
Drug Money				
Materials and Supplies	45,990	45,990	6,973	39,017
OMVI				
Personal Services	11,000	11,000	8,930	2,070
Materials and Supplies	6,948	6,948	1,948	5,000
Total OMVI	17,948	17,948	10,878	7,070
Immobilization				
Materials and Supplies	1,000	1,000	0	1,000
Miscellaneous				
Materials and Supplies	5,000	5,000	2,405	2,595
<i>Total Expenditures</i>	69,938	69,938	20,256	49,682
<i>Net Change in Fund Balance</i>	(42,405)	(42,405)	6,501	48,906
<i>Fund Balance Beginning of Year</i>	56,022	56,022	56,022	0
Prior Year Encumbrances Appropriated	2,938	2,938	2,938	0
<i>Fund Balance End of Year</i>	<u>\$16,555</u>	<u>\$16,555</u>	<u>\$65,461</u>	<u>\$48,906</u>

City of Solon, Ohio
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Community Improvement Corporation Fund
 For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures	0	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	4,000	4,000	4,000	0
<i>Fund Balance End of Year</i>	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$0</u>

City of Solon, Ohio
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Cemetery Endowment Trust Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
General Government				
Cemetery Endowment				
Contractual Services	5,000	5,000	0	5,000
<i>Net Change in Fund Balance</i>	(5,000)	(5,000)	0	5,000
<i>Fund Balance Beginning of Year</i>	5,501	5,501	5,501	0
<i>Fund Balance End of Year</i>	<u>\$501</u>	<u>\$501</u>	<u>\$5,501</u>	<u>\$5,000</u>

City of Solon, Ohio
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Donations Trust Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	<u>\$23,156</u>	<u>\$23,156</u>	<u>\$10,318</u>	<u>(\$12,838)</u>
Expenditures				
Current:				
Security of Persons and Property				
Police				
Materials and Supplies	<u>2,000</u>	<u>2,000</u>	<u>1,146</u>	<u>854</u>
Leisure Time Activities				
Senior Services Donations				
Other	<u>23,000</u>	<u>23,000</u>	<u>3,507</u>	<u>19,493</u>
Community Environment				
Blue Herron Donations				
Other	<u>43,000</u>	<u>43,000</u>	<u>0</u>	<u>43,000</u>
Beautification Donations				
Other	<u>12,024</u>	<u>12,024</u>	<u>2,756</u>	<u>9,268</u>
Total Community Environment	<u>55,024</u>	<u>55,024</u>	<u>2,756</u>	<u>52,268</u>
<i>Total Expenditures</i>	<u>80,024</u>	<u>80,024</u>	<u>7,409</u>	<u>72,615</u>
<i>Net Change in Fund Balance</i>	<u>(56,868)</u>	<u>(56,868)</u>	<u>2,909</u>	<u>59,777</u>
<i>Fund Balance Beginning of Year</i>	<u>54,844</u>	<u>54,844</u>	<u>54,844</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>2,024</u>	<u>2,024</u>	<u>2,024</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$59,777</u>	<u>\$59,777</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety and Service Equipment Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$434,058	\$434,058	\$427,624	(\$6,434)
Intergovernmental	44,992	44,992	44,992	0
Miscellaneous	0	0	15,227	15,227
<i>Total Revenues</i>	479,050	479,050	487,843	8,793
Expenditures				
Capital Outlay	1,128,266	1,128,266	1,079,499	48,767
<i>Net Change in Fund Balance</i>	(649,216)	(649,216)	(591,656)	57,560
<i>Fund Balance Beginning of Year</i>	455,000	455,000	455,000	0
Prior Year Encumbrances Appropriated	244,591	244,591	244,591	0
<i>Fund Balance End of Year</i>	<u>\$50,375</u>	<u>\$50,375</u>	<u>\$107,935</u>	<u>\$57,560</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Old City Hall Renovations Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$0	\$0	\$20,000	\$20,000
Expenditures				
Capital Outlay	<u>189,925</u>	<u>189,925</u>	<u>74,765</u>	<u>115,160</u>
<i>Net Change in Fund Balance</i>	(189,925)	(189,925)	(54,765)	135,160
<i>Fund Balance Beginning of Year</i>	155,188	155,188	155,188	0
Prior Year Encumbrances Appropriated	<u>39,925</u>	<u>39,925</u>	<u>39,925</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,188</u></u>	<u><u>\$5,188</u></u>	<u><u>\$140,348</u></u>	<u><u>\$135,160</u></u>

City of Solon, Ohio
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 General Capital Improvements Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$0	\$0	\$34,958	\$34,958
Expenditures				
Capital Outlay	<u>2,265,378</u>	<u>2,265,378</u>	<u>1,191,475</u>	<u>1,073,903</u>
<i>Excess of Revenues Under Expenditures</i>	(2,265,378)	(2,265,378)	(1,156,517)	1,108,861
Other Financing Sources				
Transfers In	<u>950,000</u>	<u>950,000</u>	<u>950,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,315,378)	(1,315,378)	(206,517)	1,108,861
<i>Fund Balance Beginning of Year</i>	2,110,793	2,110,793	2,110,793	0
Prior Year Encumbrances Appropriated	<u>65,378</u>	<u>65,378</u>	<u>65,378</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$860,793</u></u>	<u><u>\$860,793</u></u>	<u><u>\$1,969,654</u></u>	<u><u>\$1,108,861</u></u>

City of Solon, Ohio
Governmental Activities
Revenues by Source and Expenses by Program
Last Two Years

	<u>2004</u>	<u>2003</u>
Program Revenues		
Charges for Services	\$4,496,162	\$4,057,460
Operating Grants and Contributions	1,073,328	831,117
Capital Grants and Contributions	30,000	924,595
General Revenues		
Property and Other Local Taxes	5,589,627	5,372,010
Municipal Income Taxes	26,772,588	28,277,201
Grants and Entitlements not Restricted to Specific Programs	1,646,510	1,375,594
Gain on Sale of Capital Assets	8,450	0
Investment Earnings	1,155,225	1,298,459
Other	90,038	401,395
<i>Total</i>	<u><u>\$40,861,928</u></u>	<u><u>\$42,537,831</u></u>
Expenses		
Security of Persons and Property		
Police	\$6,952,721	\$6,236,704
Fire	6,580,279	5,860,599
Prosecutor	291,166	299,984
Public Health and Welfare	121,625	105,461
Leisure Time Activities	5,599,968	5,055,204
Community Environment	2,738,297	2,874,107
Basic Utility Services	1,467,266	1,238,991
Transportation	11,766,890	6,029,480
General Government	8,336,415	6,396,281
Interest and Fiscal Charges	1,301,006	1,448,515
<i>Total</i>	<u><u>\$45,155,633</u></u>	<u><u>\$35,545,326</u></u>

Source: City Financial Records

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

	2004	2003	2002	2001
Revenues				
Property Taxes	\$4,843,141	\$4,824,148	\$4,370,359	\$3,842,118
Municipal Income Taxes	27,038,056	28,383,580	27,795,091	27,350,350
Other Local Taxes	703,495	554,281	643,448	569,811
Special Assessments	406,647	370,838	820,074	707,859
Intergovernmental	2,616,278	2,982,296	6,670,848	2,964,830
Investment Income	1,155,225	1,298,459	3,174,847	3,820,232
Fees, Licenses and Permits	1,081,566	1,040,886	900,926	1,184,015
Fines and Forfeitures	292,396	282,640	286,901	325,416
Rentals	11,563	8,397	0	0
Charges for Services	3,110,637	2,725,537	1,864,193	1,440,499
Contributions and Donations	83,731	67,961	0	0
Miscellaneous	90,038	401,395	224,486	595,535
Total	\$41,432,773	\$42,940,418	\$46,751,173	\$42,800,665
Expenditures				
Current				
Security of Persons and Property (2)			\$10,806,817	\$10,200,788
Police	\$6,635,441	\$6,014,057	N/A	N/A
Fire	6,289,735	5,401,761	N/A	N/A
Prosecutor	288,406	299,984	N/A	N/A
Public Health and Welfare	121,625	105,461	105,158	104,022
Leisure Time Activities	4,895,083	4,276,719	3,255,583	2,743,713
Community Environment	2,083,980	2,084,024	1,708,408	1,613,073
Basic Utility Services	1,469,524	1,525,655	1,467,022	1,314,350
Transportation	4,745,841	4,318,184	4,076,610	3,682,611
General Government	7,370,422	5,330,364	4,920,313	4,807,963
Capital Outlay	7,913,048	16,768,406	25,394,387	13,622,807
Debt Service	3,657,260	3,579,335	6,040,891	9,532,154
Total	\$45,470,365	\$49,703,950	\$57,775,189	\$47,621,481

Source: City financial records

(1) Includes general, special revenue, debt service and capital projects funds.

(2) 2003 was the first year subcategories were identified for security of persons and property.

2000	1999	1998	1997	1996	1995
\$3,864,543	\$5,538,206	\$2,802,463	\$3,770,759	\$4,005,215	\$3,354,993
28,948,547	26,143,337	24,999,541	23,408,703	22,718,834	21,371,321
422,268	211,927	231,958	171,476	0	0
958,092	830,806	421,000	1,360,000	1,035,551	1,068,341
3,059,750	1,762,816	1,748,824	1,758,064	2,909,185	1,550,350
3,808,423	2,146,285	2,366,471	2,044,588	1,905,410	1,801,877
670,334	757,324	657,766	543,291	205,324	276,380
347,191	304,039	388,465	291,555	229,765	287,504
0	0	0	0	0	0
1,119,423	1,048,265	845,203	811,834	1,242,321	1,081,066
0	0	0	0	0	0
622,888	322,814	1,375,367	603,313	614,060	273,653
<u>\$43,821,459</u>	<u>\$39,065,819</u>	<u>\$35,837,058</u>	<u>\$34,763,583</u>	<u>\$34,865,665</u>	<u>\$31,065,485</u>

\$8,595,528	\$8,763,352	\$8,104,363	\$7,899,219	\$7,177,950	\$6,686,589
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
94,139	51,024	86,095	65,684	84,872	79,673
2,320,317	2,097,835	1,928,041	1,885,838	1,682,124	1,739,239
1,763,591	899,354	776,957	1,059,817	691,742	759,014
1,286,482	1,398,880	1,731,731	2,002,968	2,920,778	971,010
3,257,355	3,959,277	2,990,029	3,966,886	4,773,687	3,577,090
4,365,173	6,001,325	4,967,094	4,719,791	4,694,209	4,026,278
10,336,925	7,188,569	6,044,446	8,244,986	4,142,936	11,869,733
11,509,894	3,298,487	3,097,684	3,127,795	2,815,457	2,835,261
<u>\$43,529,404</u>	<u>\$33,658,103</u>	<u>\$29,726,440</u>	<u>\$32,972,984</u>	<u>\$28,983,755</u>	<u>\$32,543,887</u>

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

Year	Total Tax Levy	Current Tax Collections (1)	Percentage of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
2004	\$4,298,743	\$3,899,162	90.70%	\$138,150	\$4,037,312
2003	4,045,352	3,662,069	90.53	111,344	3,773,413
2002	3,886,035	3,523,795	90.68	100,905	3,624,700
2001	3,778,018	3,516,284	93.07	90,066	3,606,350
2000	3,396,993	3,225,956	94.97	65,456	3,291,412
1999	3,298,240	3,122,809	94.68	62,446	3,185,255
1998	3,199,928	3,002,501	93.83	37,918	3,040,419
1997	2,992,692	2,819,274	94.21	32,391	2,851,665
1996	2,619,324	2,486,435	94.93	30,768	2,517,203
1995	2,530,721	2,432,928	96.14	29,222	2,462,150

(1) State reimbursement of Rollback and Homestead Exemptions are included.

(2) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessments occur.

Source: Cuyahoga County Auditor

Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2)	Percentage of Delinquent Taxes to Total Tax Levy
93.92%	\$239,333	5.57%
93.28	196,342	4.85
93.28	205,422	5.29
95.46	148,750	3.94
96.89	89,355	2.63
96.57	99,317	3.01
95.02	94,409	2.64
95.29	84,326	2.82
96.10	77,114	2.94
97.29	63,602	2.51

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

Year	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2004	\$971,412,730	\$2,775,464,943	\$20,527,840	\$23,327,091
2003	901,714,670	2,576,327,629	20,096,400	22,836,818
2002	884,817,300	2,528,049,429	21,310,340	24,216,295
2001	865,497,080	2,472,848,800	24,380,670	27,705,307
2000	751,604,370	2,147,441,057	25,373,790	28,833,852
1999	720,557,060	2,058,734,457	27,275,100	30,994,432
1998	692,723,010	1,979,208,600	27,362,250	31,093,466
1997	652,304,010	1,863,725,743	28,619,720	32,522,409
1996	637,201,530	1,820,575,800	28,789,390	32,715,216
1995	616,390,820	1,761,116,629	30,235,110	34,358,080

Source: Cuyahoga County Auditor

(1) This amount is calculated by dividing the assessed value by the assessment percentage. The percentages for 2004 were 35 percent for all real property, 88 percent for public utility property and 25 percent for tangible personal capital assets and 23 percent for tangible personal property inventory.

Tangible Personal Property		Total		
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	Ratio
\$196,907,091	\$787,628,364	\$1,188,847,661	\$3,586,420,398	33.15%
217,973,828	871,895,312	1,139,784,898	3,471,059,759	32.84
214,640,995	858,563,980	1,120,768,635	3,410,829,704	32.86
222,037,724	888,150,896	1,111,915,474	3,388,705,003	32.81
203,829,922	815,319,688	980,808,082	2,991,594,597	32.79
204,302,253	817,209,012	952,134,413	2,906,937,901	32.75
201,276,279	805,105,116	921,361,539	2,815,407,182	32.73
189,671,684	758,686,736	870,595,414	2,654,934,888	32.79
197,807,661	791,230,644	863,798,581	2,644,521,660	32.66
186,410,818	745,643,272	833,036,748	2,541,117,981	32.78

City of Solon, Ohio
Assessed Value of Real Property by Class
Last Ten Years

Year	Agricultural/ Residential	Commercial	Industrial	Public Utility Real (1)	Total Real Property
2004	\$672,635,350	\$195,416,750	\$103,301,880	\$58,750	\$971,412,730
2003	614,193,030	181,981,940	105,482,220	57,480	901,714,670
2002	587,426,100	190,403,770	106,925,480	61,950	884,817,300
2001	569,650,190	190,528,780	105,253,280	64,830	865,497,080
2000	503,714,390	144,924,120	102,788,310	177,550	751,604,370
1999	489,347,810	125,826,460	105,214,400	168,390	720,557,060
1998	474,047,150	116,946,770	101,560,100	168,990	692,723,010
1997	437,774,000	110,836,130	103,525,540	168,340	652,304,010
1996	424,616,120	108,679,300	103,743,180	162,930	637,201,530
1995	410,661,710	104,200,390	101,367,460	161,260	616,390,820

Source: Cuyahoga County Auditor

(1) Railroads are now the only values included in this class.

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

City of Solon									
Year	General Fund	Police Pension Fund	Fire Pension Fund	Bond Retirement Fund	Safety and Service Equipment Fund	Total Levy	Library and School District (1)	Cuyahoga County	Total Tax Levy
2004	\$0.50	\$0.30	\$0.30	\$2.50	\$0.50	\$4.10	\$69.80	\$13.52	\$87.42
2003	0.50	0.30	0.30	2.50	0.50	4.10	69.80	18.00	91.90
2002	0.50	0.30	0.30	2.60	0.50	4.20	69.80	16.20	90.20
2001	0.50	0.30	0.30	2.60	0.50	4.20	63.00	16.20	83.40
2000	0.50	0.30	0.30	2.70	0.50	4.30	63.10	15.30	82.70
1999	0.50	0.30	0.30	2.70	0.50	4.30	63.10	15.30	82.70
1998	0.45	0.30	0.30	2.75	0.50	4.30	62.60	16.80	83.70
1997	0.45	0.30	0.30	2.75	0.50	4.30	62.80	16.80	83.90
1996	0.42	0.30	0.30	2.48	0.50	4.00	55.20	16.80	76.00
1995	0.42	0.30	0.30	2.48	0.50	4.00	55.10	16.80	75.90

(1) Solon City School District

Source: Cuyahoga County Auditor

City of Solon, Ohio
Principal Real Property Taxpayers
 December 31, 2004

Taxpayer	Assessed Valuation	Percent of Total Assessed Value of Real Property	Percent of Total Assessed Value
Duke Realty LTD Partnership	\$13,156,520	1.35%	1.11%
Cleveland Electric Illuminating Company	11,716,830	1.22	0.99
Stouffer Corporation	11,380,690	1.17	0.95
Crawford Fitting Company	9,477,610	0.98	0.80
GS II Uptown Solon LLC	6,140,410	0.63	0.52
L'Oreal USA Products, Incorporated	5,843,310	0.60	0.49
Ohio Bell Telephone Company	5,733,850	0.59	0.48
Permatex, Incorporated	4,403,070	0.45	0.37
Aurora Road Realty Development	4,373,210	0.45	0.37
Kennametal, Incorporated	4,084,160	0.42	0.34
Total	<u>\$76,309,660</u>	<u>7.86%</u>	<u>6.42%</u>
Total Assessed Value of Real Property	<u>\$971,412,730</u>	<u>100.00%</u>	<u>81.71%</u>
Total Assessed Value	<u>\$1,188,847,661</u>		<u>100.00%</u>

Source: Cuyahoga County

City of Solon, Ohio
Principal Personal Property Taxpayers
 December 31, 2004

Taxpayer	Assessed Valuation	Percent of Total Assessed Value of Personal Property	Percent of Total Assessed Value
Swagelok Company	\$15,481,790	7.86%	1.30%
Nestle USA Food Group, Incorporated	11,940,690	6.06	1.00
L'Oreal USA Sales, Incorporated	10,015,190	5.09	0.84
Jefferson Smurfit, Corporation	6,191,050	3.14	0.52
Erico Holding Company	5,670,790	2.88	0.48
Kennametal, Incorporated	4,633,290	2.35	0.39
Keithley Instruments, Incorporated	4,569,370	2.32	0.38
Saint Gobain Ceramics & Plastics	4,353,180	2.21	0.37
Agilysys, Incorporated	4,242,090	2.16	0.36
Permatex, Incorporated	3,997,055	2.04	0.34
Total	<u>\$71,094,495</u>	<u>36.11%</u>	<u>5.98%</u>
Total Assessed Value of Personal Property	<u>\$196,907,091</u>	<u>100.00%</u>	<u>16.56%</u>
Total Assessed Value	<u>\$1,188,847,661</u>		<u>100.00%</u>

Source: Cuyahoga County

City of Solon, Ohio
Ten Largest City Income Tax Withholding Accounts
 December 31, 2004

	<u>Employee Withholding</u>	<u>Percentage of Total</u>
Nestle' Beverage Services	\$1,750,454	7.79%
Swagelok Company	1,459,521	6.51
Keithley Instruments, Incorporated	789,329	3.52
Solon Board of Education	714,419	3.18
Agilysys, Incorporated	593,570	2.65
Erico Products, Incorporated	515,917	2.30
Fasteners For Retail, Inc.	416,687	1.86
City of Solon	371,579	1.66
L'Oreal USA Products, Incorporated	349,487	1.56
Kennametal, Incorporated	<u>339,718</u>	<u>1.51</u>
Total	7,300,681	32.54
Other Withholding Accounts	<u>15,132,665</u>	<u>67.46</u>
Total Withholding Collected	<u><u>\$22,433,346</u></u>	<u><u>100.00%</u></u>

Source: City of Solon

City of Solon, Ohio
Special Assessments Billed and Collected
Last Ten Years

Year	Special Assessments Billed	Special Assessments Collected	Percent Collected	Outstanding Delinquents (1)
2004	\$700,183	\$676,718	96.65%	\$23,465
2003	978,442	944,413	96.52	34,029
2002	824,361	820,074	99.48	4,287
2001	738,045	707,859	95.91	30,186
2000	718,733	702,142	97.69	16,591
1999	846,595	821,492	97.03	25,103
1998	1,074,497	958,697	89.22	115,800
1997	1,014,276	925,688	91.27	88,588
1996	1,063,440	1,036,351	97.45	27,089
1995	1,090,930	1,068,699	97.96	22,231

(1) Includes accrued interest and are shown net of abatements.

Source: Cuyahoga County Auditor

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

Year	Population (2)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available
2004	21,802 (b)	\$1,188,847,661	\$19,040,000	\$2,362,134
2003	21,802 (b)	1,139,784,898	20,835,000	2,298,675
2002	21,802 (b)	1,120,768,635	22,570,000	1,995,644
2001	21,802 (b)	1,111,915,474	12,185,000	2,989,743
2000	21,802 (b)	980,808,082	13,325,000	3,097,125
1999	18,548 (a)	952,134,413	14,420,000	2,349,700
1998	18,548 (a)	921,361,539	15,495,000	1,810,818
1997	18,548 (a)	870,595,414	16,515,000	1,251,974
1996	18,548 (a)	863,798,581	17,475,000	959,254
1995	18,548 (a)	833,036,748	14,680,000	486,240

(1) Source: U.S. Bureau of Census, Census of Population
(a) 1990 Federal Census
(b) 2000 Federal Census

(2) Source: Cuyahoga County Auditor

(3) Includes all general obligation bonds

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$16,677,866	1.40%	\$764.97
18,536,325	1.63	850.21
20,574,356	1.84	943.69
9,195,257	0.83	421.76
10,227,875	1.04	469.13
12,070,300	1.27	650.76
13,684,182	1.49	737.77
15,263,026	1.75	822.89
16,515,746	1.91	890.43
14,193,760	1.70	765.24

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

Assessed Valuation	<u><u>\$1,188,347,661</u></u>
Overall Debt Limitation 10.5% of Assessed Valuation	\$124,776,504
Gross Indebtedness	
General Obligation Bonds	\$19,040,000
Special Assessment Bonds	722,220
OWDA Loans	22,160,707
OPWC Loans	593,447
Notes	<u>6,500,000</u>
Total Gross Indebtedness	<u>49,016,374</u>
Exemptions:	
Special Assessment Bonds	722,220
OWDA Loans	<u>22,160,707</u>
Total Exemptions	<u>22,882,927</u>
Debt Within 10.5% Limitation	26,133,447
Less: Amount Available in Debt Service Fund	<u>2,362,134</u>
Net Debt Within 10.5% Limitation	<u>23,771,313</u>
Legal Debt Margin Within 10.5% Limitation	<u><u>\$101,005,191</u></u>
<hr/>	
Unvoted Debt Limitation - 5.5% of Assessed Valuation	\$65,359,121
Gross indebtedness authorized by Council	\$49,016,374
Less Debt Outside Limitation:	
Special Assessment Bonds	722,220
OWDA Loans	<u>22,160,707</u>
Total Debt Outside Limitation	<u>22,882,927</u>
Debt Within 5.5% Limitation	26,133,447
Less: Amount Available in Debt Service Fund	<u>2,362,134</u>
Net Debt Within 5.5% Limitation	<u>23,771,313</u>
Legal Debt Margin Within 5.5% Limitation	<u><u>\$41,587,808</u></u>

Source: City of Solon

Calculation of Statutory (direct) Legal Debt Margin is based on Chapter 133 of the Ohio Revised Code.

City of Solon, Ohio
*Ratio of Annual Debt Service Expenditures for
 General Bonded Debt to Total Governmental Expenditures
 Last Ten Years*

<u>Year</u>	<u>Principal (1)</u>	<u>Interest and Fiscal Charges (1)</u>	<u>Debt Service on General Obligation Bonded Debt</u>	<u>Governmental Expenditures (2)</u>	<u>Ratio</u>
2004	\$1,795,000	\$984,578	\$2,779,578	\$45,470,365	6.11%
2003	1,735,000	1,054,278	2,789,278	49,703,950	5.61
2002	1,850,000	942,094	2,792,094	57,775,189	4.83
2001	1,140,000	725,825	1,865,825	47,621,481	3.92
2000	1,095,000	789,918	1,884,918	43,529,404	4.33
1999	1,075,000	864,481	1,939,481	33,658,103	5.76
1998	1,020,000	931,022	1,951,022	29,726,440	6.56
1997	960,000	994,270	1,954,270	32,972,984	5.93
1996	905,000	843,728	1,748,728	28,983,755	6.03
1995	4,740,000 (3)	841,638	5,581,638	32,543,887	17.15

(1) Only general obligation bond principal and interest.

(2) Includes general, special revenue, debt service and capital projects funds.

(3) Includes \$3,605,000 in advance refunding debt payment.

Source: City of Solon

City of Solon, Ohio

*Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2004*

<u>Jurisdiction</u>	<u>General Tax Supported Debt</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable to City of Solon</u>
Direct:			
City of Solon (1)	<u>\$25,540,000</u>	<u>100.00%</u>	<u>\$25,540,000</u>
Overlapping:			
Solon City School District	28,825,610	97.87	28,211,625
Orange School District	28,363,219	2.13	604,137
Cuyahoga County (2)	251,154,636	3.85	9,669,453
Regional Transit Authority	<u>147,025,000</u>	3.85	<u>5,660,463</u>
Total Overlapping	<u>455,368,465</u>		<u>44,145,677</u>
Totals	<u>\$480,908,465</u>		<u>\$69,685,677</u>

(1) The debt outstanding includes general obligation and note debt.

(2) The special taxing districts' debt (which includes the Cleveland Metropolitan Park District, Cuyahoga Community College and the Cleveland-Cuyahoga Port Authority) is included in the County total.

The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

Source: Cuyahoga County Auditor

City of Solon, Ohio
*Ratio of Debt to Total Population, Assessed Value of
 Real and Personal Property and Per Capita Income
 Last Nine Years*

Year	Total Debt	Debt per Capita (1)	Percent of Assessed Valuation	Debt per Capita as a Percent of Personal Income per Capita (2)
2004	\$49,016,374	\$2,248.25	4.12%	6.35%
2003	51,503,393	2,362.32	4.52	6.68
2002	51,035,900	2,340.88	4.55	6.60
2001	46,191,550	2,118.68	4.15	6.27
2000	45,989,373	2,135.94	4.75	9.49
1999	51,229,077	2,761.97	5.38	12.27
1998	47,695,380	2,571.46	5.18	11.42
1997	47,791,840	2,576.66	5.49	11.44
1996	50,252,949	2,709.35	5.82	12.03

(1) Calculated using the population from the 1990 census for years 1996 through 1999, 2000 census data is used thereafter.

(2) Calculated using the per capita income from the 1990 census for years 1996 through 1999, 2000 census data is used thereafter.

City of Solon, Ohio
Revenue Coverage of OWDA Loans
Last Ten Years

Year	Gross Revenues (1)	Direct Operating Expenditures (2)	Net Revenue Available for Debt Service
2004	\$4,808,245	\$5,469,025	(\$660,780)
2003	5,395,857	4,609,491	786,366
2002	5,404,261	3,894,433	1,509,828
2001	5,381,397	4,142,824	1,238,573
2000	4,710,354	2,787,929	1,922,425
1999	5,199,841	2,609,974	2,589,867
1998	5,009,339	2,782,466	2,226,873
1997	4,335,108	3,373,995	961,113
1996	3,572,731	3,135,089	437,642
1995	2,961,117	2,360,856	600,261

(1) Gross revenues are on a cash basis. They represent all operating and non-operating revenues in the water reclamation operating fund with the exception of debt instrument proceeds.

(2) Direct operating expenditures are on a cash basis. They include expenses for wages, benefits, contract services, utilities and capital items.

Source: City of Solon

Debt Service Requirements

Principal	Interest	Total	Coverage
\$1,104,919	\$490,087	\$1,595,006	(0.41)
1,069,321	525,686	1,595,007	0.49
521,831	275,671	797,502	1.89
1,018,122	576,884	1,595,006	0.78
969,464	625,542	1,595,006	1.21
1,090,504	809,240	1,899,744	1.36
1,085,095	846,374	1,931,469	1.15
1,019,303	881,183	1,900,486	0.51
923,799	835,335	1,759,134	0.25
235,177	493,044	728,221	0.82

City of Solon, Ohio
Outstanding Principal of Total Debt
Last Ten Years

	2004	2003	2002
Indebtedness:			
General Obligation Bonds			
Sewer Plant Construction	\$0	\$0	\$0
Grantwood Park Improvements	0	0	0
Central Wastewater	0	0	0
New City Hall Construction	4,190,000	4,545,000	4,885,000
LTGO Refunding	1,915,000	2,495,000	3,055,000
Library Building	2,770,000	2,920,000	3,060,000
Community Center and Kruse Dr.	10,165,000	10,875,000	11,570,000
Special Assessment Bonds			
Cheswick 1 and 2	0	0	0
Ambina Drive	0	0	0
Davis Drive	0	0	0
Cannon Spring Sanitary (CBS)	0	0	0
Bruce Industrial Parkway	0	0	0
Sherbrook Drive	105,000	210,000	315,000
County Issued Miles Sewer	617,220	688,350	745,714
Various Purpose Improvements	0	0	0
Loans from State Agencies			
<i>Enterprise Fund Loans</i>			
OWDA 190SRF - WWTP Expansion	11,838,924	12,732,878	13,600,420
OWDA 181SRF - N. E. Pump Station	1,898,296	2,067,773	2,226,012
OWDA 896032 - WWTP (1970)	182,288	204,451	225,307
OWDA 190SRFS - WWTP Expansion	264,004	283,329	301,987
<i>General Long-Term Debt Loans</i>			
OWDA 181SRF - Creekside Pump Station	1,374,628	1,497,353	1,619,144
OPWC CA514 - Solon/Baldwin/Huntington Sanitary Sewers	476,147	523,762	571,377
OWDA 332SRF - Aurora/Liberty Sanitary Sewer	867,924	922,713	1,217,572
OPWC - Solon/Cochran Intersection	117,300	130,333	143,367
OWDA - Aurora Road	5,734,643	4,407,451	3,138,636
Capital Leases	0	0	0
General Obligation Bond Anticipation Notes			
Kruse Drive	0	0	0
Municipal Service Center Improvement	0	0	0
Community Center	1,850,000	2,000,000	5,000,000
Building Construction	4,650,000	5,000,000	2,500,000
Total	\$49,016,374	\$51,503,393	\$54,174,536

Source: City of Solon

2001	2000	1999	1998	1997	1996	1995
\$0	\$0	\$0	\$0	\$0	\$0	\$35,000
55,000	110,000	165,000	220,000	275,000	330,000	385,000
150,000	300,000	450,000	600,000	750,000	900,000	1,050,000
5,205,000	5,510,000	5,805,000	6,085,000	6,355,000	6,615,000	6,865,000
3,585,000	4,090,000	4,570,000	5,050,000	5,495,000	5,930,000	6,345,000
3,190,000	3,315,000	3,430,000	3,540,000	3,640,000	3,700,000	0
0	0	0	0	0	0	0
0	0	0	0	0	0	11,000
0	0	0	0	0	35,000	70,000
0	0	0	35,000	70,000	105,000	140,000
0	0	17,000	34,000	51,000	68,000	85,000
0	0	40,000	80,000	120,000	160,000	200,000
420,000	525,000	630,000	735,000	840,000	945,000	1,050,000
791,604	791,604	876,500	876,500	915,506	952,217	986,635
2,920,000	3,110,000	3,290,000	3,460,000	3,625,000	3,790,000	3,940,000
14,024,397	14,853,402	16,050,942	16,819,717	17,565,644	18,289,248	18,991,492
2,304,666	2,457,043	2,673,790	2,810,792	2,942,087	3,067,914	3,188,149
235,421	254,459	280,809	297,177	312,582	327,081	340,728
311,073	328,774	354,189	370,404	416,995	432,500	0
1,676,101	1,786,443	1,943,398	2,042,606	2,137,682	2,228,798	2,316,470
642,799	666,606	714,221	761,836	809,451	857,066	928,490
1,217,572	1,246,608	1,330,213	1,383,149	1,433,950	1,482,702	0
162,917	169,434	182,467	195,500	0	0	0
0	0	0	0	0	0	0
0	0	548	13,699	36,943	37,423	33,579
2,300,000	2,475,000	2,425,000	2,285,000	0	0	0
2,000,000	4,000,000	6,000,000	0	0	0	0
5,000,000	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>\$46,191,550</u>	<u>\$45,989,373</u>	<u>\$51,229,077</u>	<u>\$47,695,380</u>	<u>\$47,791,840</u>	<u>\$50,252,949</u>	<u>\$46,961,543</u>

City of Solon, Ohio
Demographic Statistics
December 31, 2004

Population Data

Year	Population	Increase (Decrease)	Percent Change	County Population	State Population
1930	1,027			1,201,455	6,646,697
1940	1,508	481	46.84%	1,217,250	6,907,612
1950	2,570	1,062	70.42	1,389,532	7,946,627
1960	6,333	3,763	146.42	1,647,895	9,706,397
1970	11,519	5,186	81.89	1,721,300	10,652,017
1980	14,341	2,822	24.50	1,498,400	10,797,630
1990	18,548	4,207	29.34	1,412,140	10,847,115
2000	21,802	3,254	17.54	1,393,978	11,353,140

2000 Population Distribution by Age

Age	Number	Percent of Total
Under 5	1,290	5.92%
5 - 9	1,891	8.67
10 - 14	2,199	10.09
15 - 19	1,702	7.81
20 - 24	647	2.97
25 - 34	1,668	7.65
35 - 44	4,000	18.35
45 - 54	4,127	18.93
55 - 59	1,141	5.23
60 - 64	818	3.75
65 - 74	1,302	5.97
75 - 44	824	3.78
85 & over	193	0.89
Total	21,802	100.00%
Under 18	6,658	30.54%
65 & Over	2,319	10.64%

Miscellaneous Population Information

<u>Males</u>
10,687
49.02%
<u>Females</u>
11,115
50.98%
<u>Persons 25 & Over</u>
High school graduate or higher
94.6%
Bachelor's degree or higher
50.4%

(continued)

City of Solon, Ohio
Demographic Statistics (continued)
 December 31, 2004

Distribution of Household by Income - 1999		
Income in 1999 (in dollars)	Number	Percent of Total
Less than 10,000	210	2.77%
10,000 - 14,999	139	1.84
15,000 - 24,999	465	6.14
25,000 - 34,999	566	7.48
35,000 - 49,999	771	10.19
50,000 - 74,999	1,408	18.60
75,000 - 99,999	1,238	16.36
100,000 - 149,999	1,481	19.57
150,000 - 199,999	556	7.35
200,000 or more	734	9.70
Total Households	7,568	100.00%

Median household income \$78,903
 Per capita income \$35,394

Household Type	1990	2000
Total Housing Units	6,601	7,801
Total Household (units occupied)	6,341	7,554
One Person Households	914	1,197
Two or more Person Household	5,427	6,357
Married couples family	4,722	5,427
Male householder (no wife) family	135	179
Female house holder (no husband) family	434	562
Nonfamily	136	189
Marital Status - Persons 15 years old & older		
Never married	3,051	3,118
Now married, except separated	9,652	11,121
Separated	95	133
Widowed	750	858
Divorced	692	1,226
Persons per household	2.92	2.89

Source:
 U.S. Department of Commerce, Bureau of the Census, 2000 Census.
 Historical data prepared by: Office of Strategic Research, Ohio
 Department of Development, 3/01.
www.odod.state.oh.us/osr/people.htm

U.S. Census Bureau, American FactFinder web site:
<http://factfinder.census.gov/serlet/BasicFactsServlet>.

City of Solon, Ohio
Property Values, Bank Deposits and Construction
Last Ten Years

Year	Assessed Value Real and Personal Property (1)	Building Permits Issued (2)		Bank Deposits (in thousands) (3)
		Number	Value	
2004	\$1,188,847,661	758	\$88,110,597	\$101,838,959
2003	1,139,784,898	902	72,715,377	97,238,973
2002	1,120,768,635	706	54,524,006	95,761,917
2001	1,111,915,474	773	97,746,307	63,893,769
2000	980,808,082	748	61,396,638	61,943,764
1999	952,134,413	767	75,119,573	57,816,942
1998	921,361,539	782	76,795,425	58,904,596
1997	870,595,414	812	75,019,941	53,941,971 (4)
1996	863,798,581	689	66,661,787	27,068,211
1995	833,036,748	638	52,635,320	22,694,304

Sources: (1) Cuyahoga County Auditor

(2) City of Solon Building Department

(3) Federal Reserve Bank of Cleveland, Ohio (total demand, time and savings deposits for commercial banks in Cuyahoga County)
www.clevelandfed.org/ds/Data/DIData.cfm

(4) The majority of this increase is due to a merger/acquisition by KeyBank National Association.

City of Solon, Ohio
Miscellaneous Statistical Data
 December 31, 2004

Government:	Charter Founded Township Village City	Mayor and Council (adopted 1954) 1820 1825 1938 December 5, 1960
Population:	Census 2000	21,802
Area:	19.2 square miles (12,300 acres)	378 acres undeveloped (excludes recreation land)
Altitude:	Max. 1,246.1 feet -- Min. 886.1 feet	City Hall is at 1,033 feet
Climate (General Region):	Average rainfall Average summer temperature Average winter temperature	38.7 inches 69.8 degrees Fahrenheit 32.2 degrees Fahrenheit
Highways:	U.S. Routes -- 422 (divided highway, direct link to I-271 & I-480) State Routes -- 43, 91, and 175 County Roads (9)	5.8 miles 12.4 miles 28.2 miles
Police:	Stations Equipment (pieces) Officers School guards Auxiliary Dispatchers Administrative personnel Corrections personnel Humane officers	1 23 (includes 4 bicycles and 1 speed trailer) 46 5 10 7 full-time, 5 part-time 8 full-time, 2 part-time 10 1
Fire:	Stations Line personnel Fire prevention inspectors Administrative staff Equipment (pieces)	3 54 4 3 21 (includes a boat on a trailer)
Assessed Valuation:	\$1,188,847,661	2004
Number of Dwellings:	Total units (including multi-family) Single family home average value	8,492 (Solon Planning Department) \$221,427 in 2003 (County Auditor)
Banks:	Branches	12
Churches:	Total	13
Buildings:	Permits issued in 2004 Valuation	758 \$88,110,597
Industry:	Number of business units	823
Railroads:	Wheeling and Lake Erie Norfolk Southern	1 1
Bus Lines:	RTA (Regional Transit Authority)	2 routes
Medical:	Hospitals within 15 miles Emergency Care facility in Solon	10 1

(continued)

City of Solon, Ohio
Miscellaneous Statistical Data (continued)
 December 31, 2004

Education:	Total school enrollment	5,250 (September 2004)
	Average SAT score - Verbal	1,137 (2004)
	Average SAT score - Math	575 (2004)
	Parochial schools within 20 miles	25 (2004)
	Private schools within 20 miles	8 (1998)
	Major Colleges and Universities within 50 miles	16 (2005)
	Technical and Vocational Schools in the region	39 (2000)
Libraries:	Public Libraries	1
	Volumes available, Audio/Visual, Periodicals	131,408 total items
Newspapers:	Daily	1 - Cleveland Plain Dealer
	Weekly	2 - Solon Times and Solon Herald Sun
Lodging:	Hotel/Motel	4
Shopping Centers:		4
Airport:	20 miles to Cleveland Hopkins International Airport	
Recreation Facilities: (city owned and maintained)	Parks	4 (estimated 151 total acres)
	Swimming pools	1 (6 lane -- 50 meter)
	Community Center	1 (has 1 indoor and 1 outpool pool)
	Lighted tennis courts	8 (adding 4 unlit courts in 2004)
	Baseball fields	11
	Playgrounds	6
	Skateboard park	1
	Sand volleyball courts	2
	Pavilions	4
	Lake within park	1 (approximately 5 acres for fishing)
	Golf course (Grantwood)	1 - 18 hole with driving range
Other Recreation:	Cleveland Metro Parks area	379 acres within Solon
	Amusement park (Six Flags)	2 miles from City limits
	Golf courses (private)	2 (18 holes each)
Sewerage System: (city owned and maintained)	Miles of sanitary sewers	180
	Number of treatment plants	1
	Number of lift/pump stations	22
	Number of service connections	7,150 residential; 305 commercial
	Daily average treatment	4,060,000 gallons
	Maximum daily capacity of plant	5,800,000 gallons
Public Meetings:	Solon City Council	1st and 3rd Monday of each month
	Other Committees and Commissions meet monthly on varying dates.	



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF SOLON

CUYAHOGA 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
JULY 12, 2005**