



**CITY OF SOLON
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

CITY OF SOLON
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 23, 2004, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated July 23, 2004.

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 for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City's management in a separate letter dated July 23, 2004.

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This report is intended solely for the information and use of management, and City Council, and is not intended to be and should not be used by 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

July 23, 2004

City of Solon, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2003

*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, 2003
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The City of Solon

CITY HALL

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Solon, OH 44139-2955
Phone: (440) 248-1155
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July 23, 2004

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

We are pleased to submit to you our 2003 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 2003 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 and account groups 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 nonmajor 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 with the required 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 Recreation and the Water Reclamation (formerly wastewater) funds. The operating expenses of both of these activities have been, and continue to be, covered by user fees.

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 2,662 in 2003 from 2,590 in 2002.
- b. In the year 2003, there were 144 industrial and commercial building permits granted for new buildings, additions to existing buildings or remodeling, totaling over \$27.1 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 2003, Solon had 26 Enterprise Zone agreements. These agreements have enabled new and existing firms to retain 3,178 jobs and create 978 jobs.

During 2003, the City created a Foreign Trade Zone in the western part of the City. This was done for a Solon based manufacturer of valves and connecting devices by the name of Swagelock. In addition, this company was given economic incentives by the Solon City Council for constructing a \$20 million order processing and distribution center in the Foreign Trade Zone that would create 400 jobs over the next few years.

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 242 acres are presently available for industrial development.

MAJOR INITIATIVES

In June 2003, the City's new Community Center/Recreation Complex was completed. As of this date, registrations and use have been better than expected. In November 2003, the City's third fire station (No. 3) was completed in the southern part of the City. This station has provided a significant reduction in response time for residents living in that part of Solon. Also in November 2003, the City's largest to date infrastructure project, that being the Aurora Road West Storm and Sanitary Sewer project, was completed.

In 2004, an even larger infrastructure project, entitled the Aurora Road East Storm and Sanitary Sewer project will begin. Also in 2004, the Mayor and City Council are reviewing the possibility of building a new Fire Station No. 2 in the center of the City to replace the current Station No. 2 that is beginning to show its age.

Solon maintains a five-year plan for capital projects and operating expenditures. This plan is updated each year by the Mayor and Department 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 function level within the general fund, and at the fund 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 fiscal or budget year, and need not be re-appropriated.

The Finance Department distributes budget reports every month to each department, or more often if needed. Each 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 2003. Because that discussion focuses on major funds, other nonmajor funds are discussed briefly in this letter.

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, 2003, the City's cash was invested as follows:

StarOhio	\$1,295,631
Repurchase Agreement	935,000
Federal Home Loan Bank Bonds	17,890,950
Federal Home Loan Mortgage Corporation Bonds	3,010,320
Federal Home Loan Mortgage Corporation Notes	20,916,520
Federal National Mortgage Association Notes	<u>10,988,450</u>
Total	<u><u>\$55,036,871</u></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 2003, 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 2002 Comprehensive Annual Financial Report.

A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR for 2003 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

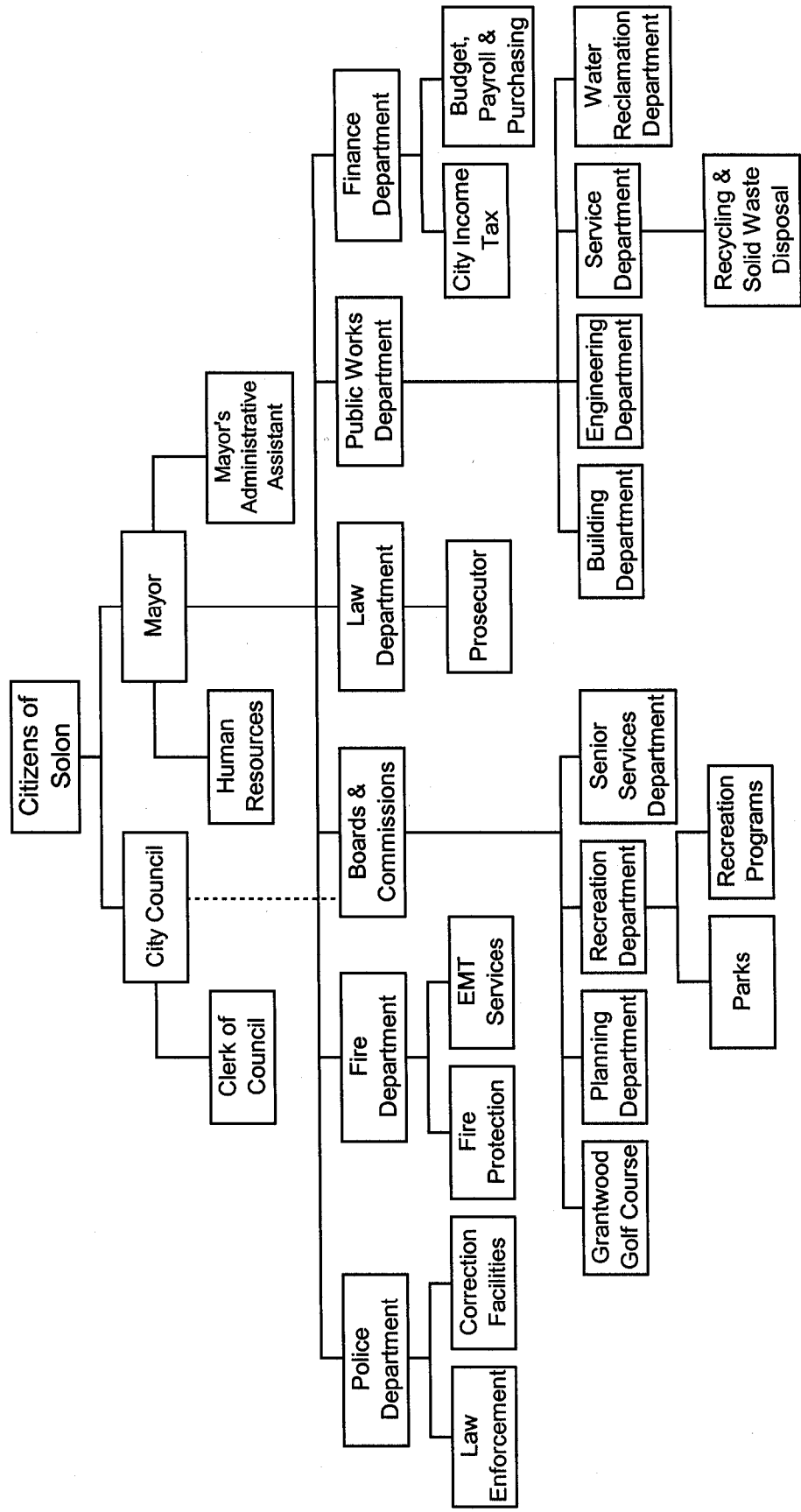
I convey my appreciation to Mayor Kevin Patton and the Members of City Council for their support in preparing this Comprehensive Annual Financial Report. In addition, my gratitude and compliments extend to the Auditor of State's Section of Local Government Services who helped us with this report. Finally,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

Respectfully submitted,



D. William Weber, CPA
Director of Finance

City of Solon, Ohio
Organizational Chart
 December 31, 2003



City of Solon, Ohio
Principal Officials
December 31, 2003

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
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, 2002

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



President

Executive Director



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solon, Cuyahoga County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, statistical tables, and supplemental information are presented for additional analysis 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, statistical tables, and supplemental information 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

July 23, 2004

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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, 2003. 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 2003 are as follows:

- Assets of the City of Solon exceeded its liabilities at the close of 2003 by \$141,930,970. Of this amount, \$28,774,832 is unrestricted net assets that may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total Net assets increased by \$6,500,941 or 4.80 percent from 2002.
- Total Assets increased by \$4,037,556 or 2.01 percent.
- Total Depreciable Capital Assets increased by \$28,658,138 or 32.03 percent, while Non Depreciable Capital Assets decreased by \$16,796,623. This was mainly due to the completion of the new Community Center and its transition from construction in progress to a completed project.
- As of the close of 2003, the City of Solon's governmental funds reported combined ending fund balances of \$49,241,277, a decrease of \$5,658,351 from the prior year.
- Total Outstanding Debt decreased \$1,692,397 or 3.06 percent.
- On a modified basis, City Income Tax collections increased from \$27,795,091 in 2002 to \$28,383,580 in 2003, or 2.12 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 four 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, 2003
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 evaluating a government's near term financing requirements.

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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 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. The City only had agency funds.

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 56.

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 and schedules 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 57.

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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 2003 compared to 2002:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$67,782,175	\$75,479,673	\$8,225,708	\$8,352,169	\$76,007,883	\$83,831,842
Capital Assets, Net	72,804,842	65,243,056	56,456,548	52,156,819	129,261,390	117,399,875
<i>Total Assets</i>	<u>140,587,017</u>	<u>140,722,729</u>	<u>64,682,256</u>	<u>60,508,988</u>	<u>205,269,273</u>	<u>201,231,717</u>
Liabilities						
Current Liabilities	13,611,200	15,084,581	297,837	1,553,208	13,909,037	16,637,789
Long-term Liabilities						
Due within one Year	2,872,612	2,603,972	1,287,645	1,518,422	4,160,257	4,122,394
Due in More than one Year	28,637,388	29,682,697	16,631,621	15,358,808	45,269,009	45,041,505
<i>Total Liabilities</i>	<u>\$45,121,200</u>	<u>\$47,371,250</u>	<u>\$18,217,103</u>	<u>\$18,430,438</u>	<u>\$63,338,303</u>	<u>\$65,801,688</u>

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

(Table 1)
Net Assets
continued

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$44,759,842	\$34,858,056	\$39,017,736	\$34,383,495	\$83,777,578	\$69,241,551
Restricted for:						
Capital Projects	20,769,432	21,153,622	0	0	20,769,432	21,153,622
Debt Service	5,164,577	5,182,771	0	0	5,164,577	5,182,771
Street, Construction, Maintenance and Repair	1,100,877	1,439,159	0	0	1,100,877	1,439,159
Cable TV	434,793	345,524	0	0	434,793	345,524
Tree Planting Deposits	200,356	186,326	0	0	200,356	186,326
Landfill Improvements	1,367,896	1,379,192	0	0	1,367,896	1,379,192
Other Purposes	340,629	606,348	0	0	340,629	606,348
Unrestricted	21,327,415	28,200,481	7,447,417	7,695,055	28,774,832	35,895,536
<i>Total Net Assets</i>	<u>\$95,465,817</u>	<u>\$93,351,479</u>	<u>\$46,465,153</u>	<u>\$42,078,550</u>	<u>\$141,930,970</u>	<u>\$135,430,029</u>

Total assets increased by \$4,037,556 and total liabilities decreased by \$2,463,385 in 2003. The most notable decrease in assets was in Equity in Pooled Cash and Cash Equivalents by \$8,050,608 because of payments to contractors for the construction of the new \$18 million Community Center. This was offset by a net increase in capital assets of \$11,861,515. The most notable decreases in liabilities were for contracts payable by \$1,263,400 and long-term debt or obligations by \$1,709,117. The contracts payable reduction was mostly related to the completion of the new Community Center and the reduction in bonded debt was because of the bonds maturity schedule.

At the end of 2003, net assets for both governmental activities and business-type activities were comfortably positive. The total net assets for governmental activities increased by \$2,114,338 or 2.26 percent, and the total net assets for business-type activities increased by \$4,386,603 or 10.42 percent.

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 2003. However, since this is the first year the City has prepared financial statements under GASB Statement 34, revenue and expense comparisons to 2002 are not available. In future years, when GASB 34 data is available for prior years, comparative statements will be presented.

City of Solon, Ohio
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(Table 2)
Changes in Net Assets

	Governmental Activities	Business Type	Total
Program Revenues			
Charges for Services and Sales	\$4,057,460	\$6,364,322	\$10,421,782
Operating Grants and Contributions	831,117	0	831,117
Capital Grants and Contributions	924,595	0	924,595
<i>Total Program Revenues</i>	<u>5,813,172</u>	<u>6,364,322</u>	<u>12,177,494</u>
General Revenues			
Property Taxes	5,372,010	0	5,372,010
Municipal Income Taxes	28,277,201	0	28,277,201
Grants and Entitlements	1,375,594	0	1,375,594
Investment Income	1,298,459	0	1,298,459
Miscellaneous	401,395	17,738	419,133
<i>Total General Revenues</i>	<u>36,724,659</u>	<u>17,738</u>	<u>36,742,397</u>
<i>Total Revenues</i>	<u>42,537,831</u>	<u>6,382,060</u>	<u>48,919,891</u>
Program Expenses			
Security of Persons and Property			
Police	6,236,704	0	6,236,704
Fire	5,860,599	0	5,860,599
Prosecutor	299,984	0	299,984
Public Health and Welfare	105,461	0	105,461
Leisure Time Activities	5,055,204	0	5,055,204
Community Environment	2,874,107	0	2,874,107
Basic Utility Services	1,238,991	0	1,238,991
Transportation	6,029,480	0	6,029,480
General Government	6,396,281	0	6,396,281
Interest and Fiscal Charges	1,448,515	0	1,448,515
Water Reclamation	0	5,464,150	5,464,150
Grantwood Recreation	0	1,409,474	1,409,474
<i>Total Program Expenses</i>	<u>35,545,326</u>	<u>6,873,624</u>	<u>42,418,950</u>
Transfers	(4,878,167)	4,878,167	0
<i>Change in Net Assets</i>	<u>2,114,338</u>	<u>4,386,603</u>	<u>6,500,941</u>
<i>Net Assets Beginning of Year</i>	<u>93,351,479</u>	<u>42,078,550</u>	<u>135,430,029</u>
<i>Net Assets End of Year</i>	<u>\$95,465,817</u>	<u>\$46,465,153</u>	<u>\$141,930,970</u>

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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 revenues exceeded governmental expenses and transfers by \$2,114,338 in 2003 resulting in an increase of governmental net assets by the same amount.

The municipal income tax revenue for 2003 was \$28,277,201. It was 66.48 percent of the total governmental revenues, and slightly over 1.0 percent more than 2002. The City income tax rate is 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the City Income Tax. However, if a resident works in another City that has a municipal income tax, they will not have to pay anything to the City of Solon if that City's tax rate is 2.0 percent because the City of Solon gives residents a 100 percent credit up to a 2.0 percent rate. City Council has the authority to reduce the 100 percent credit to raise additional income tax revenue if deemed necessary.

The next largest source of governmental revenue is property tax. It was 12.63 percent of the total governmental revenues in 2003. The property tax is derived from 3.3 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 2003 was \$12,397,287 or 34.88 percent of the governmental expenses. It is divided into three parts; \$6,236,704 for the Police Department, \$5,860,599 for the Fire Department and \$299,984 for the Prosecutor. The next largest program expense was for General Government. It totaled \$6,396,281 in 2003 and represented about 17.99 percent of the total governmental expenses. It accounts for the City hall administrative departments.

The third largest program was for Transportation at \$6,029,480 which includes the repair and maintenance of streets, storm sewers and other related infrastructure. Close behind Transportation was Leisure Time Activities at \$5,055,204. This was a notable increase in 2003 because of the opening of the City's new Community Center in June 2003.

Business Type Activities

The City has two business type operations. They are the Water Reclamation Plant (wastewater) and Grantwood Recreation. The largest source of revenue for both Water Reclamation and Grantwood Recreation in 2003 was charges for services in the respective amounts of \$5,084,021 and \$1,280,301. On the expense side, the largest expenses are for personnel 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 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.

City of Solon, Ohio
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As of the end of 2003, the City of Solon's governmental funds reported combined ending fund balances of \$49,241,277. Of that amount, \$42,844,130 is reported as unreserved fund balances. 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 \$42,940,418 and expenditures of \$49,703,950 under the modified accrual basis. The General Fund is the main operating fund of the City. The increase in the general fund's fund balance was \$4,586,229 before transfers to other funds of \$10,269,103 showing a decrease of \$5,682,874. The Community Center and Building Construction capital projects funds' fund balances decreased due to the completion of the new community center and fire station.

Business Type Funds – report the City's Water Reclamation (wastewater) operation and Grantwood Recreation on a full accrual basis. In 2003, the net assets for the Water Reclamation facility increased by \$4,500,768, mainly due to the transfer from the infrastructure capital projects fund, and the net assets for Grantwood Recreation decreased by \$114,165.

General Fund Budgeting Highlights

Solon's most significant budgeted fund is the General Fund. Its expenditure budget (appropriations), 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. The General Fund had revenues plus other financing sources under expenditures plus other financing uses by \$6,224,056.

During 2003, there were a few minor amendments to both the estimated revenues and estimated expenditures. Although the actual revenues were \$355,575 less than the estimated revenue, the actual expenditures were \$1,072,367 less than the estimated expenditures resulting in a positive variance of \$716,792 before other financing sources and uses.

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$7,722,371	\$7,311,363	\$3,150,174	\$2,695,554	\$10,872,545	\$10,006,917
Construction in Progress	254,483	17,083,390	0	833,344	254,483	17,916,734
Land Improvements	354,912	385,236	31,236	30,932	386,148	416,168
Buildings	43,876,905	25,641,054	21,209,160	21,609,040	65,086,065	47,250,094
Furniture and Equipment	1,546,221	1,183,118	1,884,200	2,097,416	3,430,421	3,280,534
Vehicles	4,256,750	3,597,697	238,308	274,872	4,495,058	3,872,569
Infrastructure	14,793,200	10,041,198	29,943,470	24,615,661	44,736,670	34,656,859
Total Capital Assets	\$72,804,842	\$65,243,056	\$56,456,548	\$52,156,819	\$129,261,390	\$117,399,875

City of Solon, Ohio
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The total capital assets, net of depreciation, for the City's governmental activities as of year end 2003 were \$72,804,842. This was an increase of \$7,561,786 over year end 2002. The most significant increase was in buildings with the completion of the Senior Center and infrastructure with the completion of the State Route 91 reconstruction. The total capital assets, net of depreciation, for the City's business-type activities increased from \$52,156,819 at 2002 to \$56,456,548 at 2003. The increase of \$4,299,729 was mostly due to the completion of the Aurora Road West Sanitary Sewer Project. For additional information, please see note 9.

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

Outstanding Obligations

(Table 4)
 Outstanding Obligations at Year End

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$20,835,000	\$22,570,000	\$0	\$0	\$20,835,000	\$22,570,000
Special Assessment Bonds	898,350	1,104,309	0	0	898,350	1,104,309
Notes	7,045,100	7,500,000	0	0	7,045,100	7,500,000
OPWC Loans	654,095	714,743	0	0	654,095	714,743
OWDA Loans	6,827,517	5,728,894	15,288,431	16,357,752	22,115,948	22,086,646
Interfund Loans	0	0	2,150,381	1,415,573	2,150,381	1,415,573
Compensated Absences	2,295,038	2,159,547	480,454	445,017	2,775,492	2,604,564
Total	\$38,555,100	\$39,777,493	\$17,919,266	\$18,218,342	\$56,474,366	\$57,995,835

At year-end 2003, the City of Solon had \$53,698,874 in outstanding bonds, notes and loans. In addition, when the amount for compensated absences (sick leave, vacation, etc.) is added, the total outstanding debt at year-end 2003 is \$56,474,366.

Governmental activities have 67.50 percent of the debt. It is serviced by inside (unvoted) property tax millage levied and 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). The business type activities have 32.50 percent of the debt, and the majority is serviced by wastewater user fees. Most of this debt was issued for improvements to the wastewater plant and improvements to the Grantwood golf course.

The Compensated Absence category represents the dollar value of accumulated but unused sick leave at year-end 2003. However, it is unlikely that most accumulated termination leave will ever be used. For additional information, please see note 15.

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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 growth has slowed down recently, as it has with most other municipalities, the dollar amount of collections is still increasing. In addition, 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 well over 40,000 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 in Ohio. In 2003, the City issued 116 building permits for new homes that had an aggregate market value of \$40 million. In addition, there were 135 industrial and commercial building permits issued in 2003 with a total market value of \$27 million.

The City continues to have an aggressive economic development program. In 2003, an enterprise zone agreement was adopted with a Solon company to build an expansion that would create 429 new jobs in exchange for temporary property tax abatement.

The financial statements of the City of Solon show that that City is in a very strong cash position. The year end 2003 General Fund cash and cash equivalent balance was \$25,983,035. This was 67.23 percent in relation to the 2003 general fund expenditure budget of \$38,646,895.

Debt management has always been a priority of the City of Solon's officials. The City's current bond rating is Aa1 with Moody's and AA+ with Standard & Poors. With the completion of four new buildings, that being the city hall, police station, community center and southerly fire station, in the last eight years, it will be several years before another building project and the need to borrow for it will be necessary.

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, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$51,976,382	\$8,081,164	\$60,057,546
Materials and Supplies Inventory	378,207	129,368	507,575
Accounts Receivable	28,990	15,176	44,166
Interfund Loans Receivable	2,150,381	0	2,150,381
Intergovernmental Receivable	1,438,940	0	1,438,940
Prepaid Items	167,007	0	167,007
Municipal Income Taxes Receivable	3,923,438	0	3,923,438
Property Taxes Receivable	4,276,496	0	4,276,496
Special Assessments Receivable	3,442,334	0	3,442,334
Nondepreciable Capital Assets	7,976,854	3,150,174	11,127,028
Depreciable Capital Assets, Net	64,827,988	53,306,374	118,134,362
<i>Total Assets</i>	<u>140,587,017</u>	<u>64,682,256</u>	<u>205,269,273</u>
Liabilities			
Accounts Payable	389,238	139,518	528,756
Accrued Wages	462,760	46,186	508,946
Contracts Payable	213,832	0	213,832
Intergovernmental Payable	790,174	25,116	815,290
Matured Compensated Absences Payable	93,043	0	93,043
Notes Payable	7,045,100	0	7,045,100
Accrued Interest Payable	147,790	0	147,790
Claims Payable	102,384	0	102,384
Deferred Revenue	4,080,154	0	4,080,154
Vacation Benefits Payable	286,725	87,017	373,742
Long-Term Liabilities:			
Due Within One Year	2,872,612	1,287,645	4,160,257
Due In More Than One Year	28,637,388	16,631,621	45,269,009
<i>Total Liabilities</i>	<u>45,121,200</u>	<u>18,217,103</u>	<u>63,338,303</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	44,759,842	39,017,736	83,777,578
Restricted for:			
Capital Projects	20,769,432	0	20,769,432
Debt Service	5,164,577	0	5,164,577
Street Construction, Maintenance and Repair	1,100,877	0	1,100,877
Cable TV	434,793	0	434,793
Tree Planting Deposits	200,356	0	200,356
Landfill Improvement	1,367,896	0	1,367,896
Other Purposes	340,629	0	340,629
Unrestricted	21,327,415	7,447,417	28,774,832
<i>Total Net Assets</i>	<u>\$95,465,817</u>	<u>\$46,465,153</u>	<u>\$141,930,970</u>

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property				
Police	\$6,236,704	\$431,411	\$50,239	\$0
Fire	5,860,599	357,758	0	0
Prosecutor	299,984	23,462	0	0
Public Health and Welfare	105,461	8,248	0	0
Leisure Time Activities	5,055,204	2,142,864	26,606	0
Community Environment	2,874,107	177,622	4,254	0
Basic Utility Services	1,238,991	99,214	0	0
Transportation	6,029,480	253,276	749,135	904,595
General Government	6,396,281	563,605	883	20,000
Interest and Fiscal Charges	1,448,515	0	0	0
<i>Total Governmental Activities</i>	<u>35,545,326</u>	<u>4,057,460</u>	<u>831,117</u>	<u>924,595</u>
Business-Type Activities:				
Water Reclamation	5,464,150	5,084,021	0	0
Grantwood Recreation	1,409,474	1,280,301	0	0
<i>Total Business-Type Activities</i>	<u>6,873,624</u>	<u>6,364,322</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u><u>\$42,418,950</u></u>	<u><u>\$10,421,782</u></u>	<u><u>\$831,117</u></u>	<u><u>\$924,595</u></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
- General Purposes
- Infrastructure
- Grants and Entitlements not Restricted to Specific Programs
- Investment Income
- Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - 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
(\$5,755,054)	\$0	(\$5,755,054)
(5,502,841)	0	(5,502,841)
(276,522)	0	(276,522)
(97,213)	0	(97,213)
(2,885,734)	0	(2,885,734)
(2,692,231)	0	(2,692,231)
(1,139,777)	0	(1,139,777)
(4,122,474)	0	(4,122,474)
(5,811,793)	0	(5,811,793)
(1,448,515)	0	(1,448,515)
<u>(29,732,154)</u>	<u>0</u>	<u>(29,732,154)</u>
0	(380,129)	(380,129)
<u>0</u>	<u>(129,173)</u>	<u>(129,173)</u>
0	(509,302)	(509,302)
<u>(29,732,154)</u>	<u>(509,302)</u>	<u>(30,241,456)</u>
1,283,309	0	1,283,309
3,061,294	0	3,061,294
298,464	0	298,464
298,464	0	298,464
430,479	0	430,479
21,673,469	0	21,673,469
6,603,732	0	6,603,732
1,375,594	0	1,375,594
1,298,459	0	1,298,459
401,395	17,738	419,133
<u>36,724,659</u>	<u>17,738</u>	<u>36,742,397</u>
<u>(4,878,167)</u>	<u>4,878,167</u>	<u>0</u>
<u>31,846,492</u>	<u>4,895,905</u>	<u>36,742,397</u>
2,114,338	4,386,603	6,500,941
<u>93,351,479</u>	<u>42,078,550</u>	<u>135,430,029</u>
<u>\$95,465,817</u>	<u>\$46,465,153</u>	<u>\$141,930,970</u>

City of Solon, Ohio
Balance Sheet
Governmental Funds
December 31, 2003

	General	General Obligation Bond Retirement	Infrastructure	Community Center	Building Construction
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$25,983,035	\$2,298,675	\$14,520,647	\$1,474,331	\$949,096
Materials and Supplies Inventory	378,207	0	0	0	0
Accounts Receivable	21,988	0	0	0	0
Loans Receivable	2,150,381	0	0	0	0
Intergovernmental Receivable	870,758	128,398	0	0	0
Prepaid Items	167,007	0	0	0	0
Special Assessments Receivable	0	3,442,334	0	0	0
Municipal Income Taxes Receivable	2,942,578	0	980,860	0	0
Property Taxes Receivable	532,917	2,664,090	0	0	0
Total Assets	\$33,046,871	\$8,533,497	\$15,501,507	\$1,474,331	\$949,096
Liabilities					
Accounts Payable	\$321,161	\$0	\$0	\$0	\$0
Accrued Wages	418,714	0	0	0	0
Contracts Payable	0	0	51,976	102,035	24,599
Intergovernmental Payable	393,043	0	0	0	0
Accrued Interest Payable	0	0	0	6,389	2,556
Matured Compensated Absences Payable	93,043	0	0	0	0
Claims Payable	102,384	0	0	0	0
Deferred Revenue	1,890,663	6,234,822	266,544	0	0
Notes Payable	0	0	0	5,000,000	2,000,000
Total Liabilities	3,219,008	6,234,822	318,520	5,108,424	2,027,155
Fund Balances					
Reserved for Encumbrances	674,724	0	2,250,306	500,582	352,033
Reserved for Loans Receivable	2,150,381	0	0	0	0
Reserved for Unclaimed Monies	66,738	0	0	0	0
Unreserved Undesignated, Reported in:					
General Fund	26,936,020	0	0	0	0
Special Revenue Funds	0	0	0	0	0
Debt Service Fund	0	2,298,675	0	0	0
Capital Projects Funds (Deficit)	0	0	12,932,681	(4,134,675)	(1,430,092)
Total Fund Balances	29,827,863	2,298,675	15,182,987	(3,634,093)	(1,078,059)
Total Liabilities and Fund Balances	\$33,046,871	\$8,533,497	\$15,501,507	\$1,474,331	\$949,096

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, 2003*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Funds Balances	\$49,241,277
		Amounts reported for governmental activities in the statement of net assets are different because	
\$6,750,598	\$51,976,382	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	72,804,842
0	378,207		
7,002	28,990		
0	2,150,381	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
439,784	1,438,940	Property Taxes	196,342
0	167,007	Municipal Income Taxes	1,066,175
0	3,442,334	Intergovernmental	1,065,401
0	3,923,438	Special Assessments	3,442,334
1,079,489	4,276,496		
<u>\$8,276,873</u>	<u>\$67,782,175</u>	Total	5,770,252
		Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(369,884)
\$68,077	\$389,238		
44,046	462,760	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(138,845)
35,222	213,832		
27,247	420,290	Other financing sources in the governmental funds, such as a note premium, that increases long-term liabilities in the statement of net assets is not reported as revenue in the statement of activities.	(45,100)
0	8,945		
0	93,043	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(286,725)
0	102,384		
1,458,377	9,850,406	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:	
0	7,000,000	Compensated Absences	(2,295,038)
<u>1,632,969</u>	<u>18,540,898</u>	General Obligation Bonds	(20,835,000)
		Special Assessment Bonds	(898,350)
402,383	4,180,028	OWDA Loan Payable	(6,827,517)
0	2,150,381	OPWC Loan Payable	(654,095)
0	66,738		
0	26,936,020	Total	(31,510,000)
3,520,429	3,520,429	Net Assets of Governmental Activities	\$95,465,817
0	2,298,675		
<u>2,721,092</u>	<u>10,089,006</u>		
6,643,904	49,241,277		
<u>\$8,276,873</u>	<u>\$67,782,175</u>		

City of Solon, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	General Obligation Bond Retirement	Infrastructure	Community Center	Building Construction
Revenues					
Property Taxes	\$729,693	\$3,064,619	\$0	\$0	\$0
Municipal Income Taxes	21,753,254	0	6,630,326	0	0
Other Local Taxes	554,281	0	0	0	0
Special Assessments	0	370,838	0	0	0
Intergovernmental	946,260	155,997	904,595	50,800	50,000
Investment Income	1,298,459	0	0	0	0
Fees, Licenses and Permits	747,873	90,944	0	0	0
Fines and Forfeitures	282,640	0	0	0	0
Rentals	0	0	0	0	0
Charges for Services	742,083	0	0	0	0
Contributions and Donations	0	0	0	0	0
Miscellaneous	53,447	0	275,000	0	0
<i>Total Revenues</i>	<u>27,107,990</u>	<u>3,682,398</u>	<u>7,809,921</u>	<u>50,800</u>	<u>50,000</u>
Expenditures					
Current:					
Security of Persons and Property:					
Police	5,450,657	0	0	0	0
Fire	4,580,271	0	0	0	0
Prosecutor	299,984	0	0	0	0
Public Health and Welfare	105,461	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Community Environment	2,066,196	0	0	0	0
Basic Utility Services	1,465,520	0	0	0	0
Transportation	3,238,353	0	0	0	0
General Government	5,315,319	11,291	0	0	0
Capital Outlay	0	0	6,350,430	6,069,883	1,657,502
Debt Service:					
Principal Retirement	0	2,111,151	60,648	0	0
Interest and Fiscal Charges	0	1,256,925	0	100,833	49,778
<i>Total Expenditures</i>	<u>22,521,761</u>	<u>3,379,367</u>	<u>6,411,078</u>	<u>6,170,716</u>	<u>1,707,280</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,586,229</u>	<u>303,031</u>	<u>1,398,843</u>	<u>(6,119,916)</u>	<u>(1,657,280)</u>
Other Financing Sources (Uses)					
OWDA Loans Issued	0	0	1,268,815	0	0
Premium on General Obligation Notes Issued	0	0	0	49,200	0
Transfers In	0	0	0	6,000,000	500,000
Transfers Out	(10,269,103)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(10,269,103)</u>	<u>0</u>	<u>1,268,815</u>	<u>6,049,200</u>	<u>500,000</u>
<i>Net Change in Fund Balances</i>	(5,682,874)	303,031	2,667,658	(70,716)	(1,157,280)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>35,510,737</u>	<u>1,995,644</u>	<u>12,515,329</u>	<u>(3,563,377)</u>	<u>79,221</u>
<i>Fund Balances (Deficit) End 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>

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, 2003*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$5,658,351)
		Amounts reported for governmental activities in the statement of activities are different because	
\$1,029,836	\$4,824,148	Governmental funds report capital outlays as expenditures.	
0	28,383,580	However, in the statement of activities, the cost of those	
0	554,281	assets is allocated over their estimated useful lives as	
0	370,838	depreciation expense. This is the amount by which capital	
874,644	2,982,296	outlay exceeded depreciation in the current period.	
0	1,298,459	Capital Outlay	11,527,049
202,069	1,040,886	Depreciation	<u>(3,941,263)</u>
0	282,640		
8,397	8,397	Total	7,585,786
1,983,454	2,725,537	Governmental funds only report the disposal of fixed assets to	
67,961	67,961	the extent proceeds are received from the sale. In the	
72,948	401,395	statement of activities, a gain or loss is reported for each	
		disposal.	(24,000)
4,239,309	42,940,418	Revenues in the statement of activities that do not provide	
		current financial resources are not reported as revenues	
		in the funds.	
563,400	6,014,057	Property and Other Local Taxes	(6,419)
821,490	5,401,761	Municipal Income Taxes	(106,379)
0	299,984	Intergovernmental	81,049
0	105,461	Special Assessments	<u>(370,838)</u>
4,276,719	4,276,719	Total	(402,587)
17,828	2,084,024	Repayment of long-term debt is an expenditure in the	
60,135	1,525,655	governmental funds, but the repayment reduces long-term	
1,079,831	4,318,184	liabilities in the statement of net assets.	2,171,799
3,754	5,330,364	Some expenses reported in the statement of activities do not require	
2,690,591	16,768,406	the use of current financial resources and therefore are not reported	
0	2,171,799	as expenditures in governmental funds.	
0	1,407,536	Accrued interest on Bonds	(45,079)
		Amortization of Note Premium	<u>4,100</u>
9,513,748	49,703,950	Total	(40,979)
(5,274,439)	(6,763,532)	Some expenses reported in the statement of activities, such as	
		compensated absences and intergovernmental payable	
0	1,268,815	(which represents contractually required pension contributions	
0	49,200	do not require the use of current financial resources and therefore	
3,556,269	10,056,269	are not reported as expenditures in governmental funds.	
0	(10,269,103)	Compensated Absences	(135,491)
3,556,269	1,105,181	Vacation Benefits Payable	(36,894)
(1,718,170)	(5,658,351)	Pension Obligation	<u>(26,930)</u>
		Total	(199,315)
8,362,074	54,899,628	Other financing sources in the governmental funds	
\$6,643,904	\$49,241,277	increase long-term liabilities in the statement of net assets	
		Proceeds of OWDA Loan	(1,268,815)
		Premium on Notes	<u>(49,200)</u>
		Total	<u>(1,318,015)</u>
		Change in Net Assets of Governmental Activities	<u>\$2,114,338</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$745,634	\$758,534	\$738,525	(\$20,009)
Municipal Income Taxes	21,471,057	21,925,000	21,587,275	(337,725)
Other Local Taxes	541,633	550,400	554,281	3,881
Intergovernmental	1,261,358	1,280,943	937,656	(343,287)
Investment Income	1,895,234	1,927,249	2,037,825	110,576
Fees, Licenses and Permits	615,537	625,500	750,079	124,579
Fines and Forfeitures	286,365	291,000	279,716	(11,284)
Charges for Services	645,059	655,500	743,794	88,294
Miscellaneous	23,664	24,047	53,447	29,400
<i>Total Revenues</i>	<u>27,485,541</u>	<u>28,038,173</u>	<u>27,682,598</u>	<u>(355,575)</u>
Expenditures				
Current:				
Security of Persons and Property				
Police	5,858,479	5,858,479	5,584,813	273,666
Fire	4,761,829	4,761,829	4,599,597	162,232
Prosecutor	387,903	397,903	360,762	37,141
Public Health and Welfare	115,586	115,586	106,761	8,825
Community Environment	2,243,477	2,243,477	2,123,575	119,902
Basic Utility Services	1,425,987	1,425,987	1,410,789	15,198
Transportation	3,598,075	3,598,075	3,524,028	74,047
General Government	5,573,774	5,573,774	5,192,418	381,356
<i>Total Expenditures</i>	<u>23,965,110</u>	<u>23,975,110</u>	<u>22,902,743</u>	<u>1,072,367</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,520,431</u>	<u>4,063,063</u>	<u>4,779,855</u>	<u>716,792</u>
Other Financing Sources (Uses)				
Interfund Loan Repayments	82,751	82,751	82,751	0
Interfund Loans	(850,000)	(850,000)	(817,559)	32,441
Transfers Out	(13,821,785)	(13,821,785)	(10,269,103)	3,552,682
<i>Total Other Financing Sources (Uses)</i>	<u>(14,589,034)</u>	<u>(14,589,034)</u>	<u>(11,003,911)</u>	<u>3,585,123</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(11,068,603)</u>	<u>(10,525,971)</u>	<u>(6,224,056)</u>	<u>4,301,915</u>
<i>Fund Balances Beginning of Year</i>	31,239,682	31,239,682	31,239,682	0
Prior Year Encumbrances Appropriated	474,344	474,344	474,344	0
<i>Fund Balances End of Year</i>	<u>\$20,645,423</u>	<u>\$21,188,055</u>	<u>\$25,489,970</u>	<u>\$4,301,915</u>

See accompanying notes to the basic financial statements

City of Solon
Statement of Fund Net Assets
Enterprise Funds
December 31, 2003

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$7,849,374	\$231,790	\$8,081,164
Materials and Supplies Inventory	121,042	8,326	129,368
Accounts Receivable	14,107	1,069	15,176
<i>Total Current Assets</i>	<u>7,984,523</u>	<u>241,185</u>	<u>8,225,708</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	768,010	2,382,164	3,150,174
Depreciable Capital Assets, Net	52,628,702	677,672	53,306,374
<i>Total Noncurrent Assets</i>	<u>53,396,712</u>	<u>3,059,836</u>	<u>56,456,548</u>
<i>Total Assets</i>	<u>61,381,235</u>	<u>3,301,021</u>	<u>64,682,256</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	57,055	82,463	139,518
Accrued Wages	36,461	9,725	46,186
Intergovernmental Payable	19,821	5,295	25,116
Compensated Absences Payable	9,771	92,282	102,053
Vacation Benefits Payable	51,942	35,075	87,017
OWDA Loans Payable	1,104,919	0	1,104,919
Interfund Loans Payable	0	80,673	80,673
<i>Total Current Liabilities</i>	<u>1,279,969</u>	<u>305,513</u>	<u>1,585,482</u>
<i>Long-Term Liabilities (Net of Current Portion):</i>			
Compensated Absences Payable	334,138	44,263	378,401
OWDA Loans Payable	14,183,512	0	14,183,512
Interfund Loans Payable	0	2,069,708	2,069,708
<i>Total Long-Term Liabilities</i>	<u>14,517,650</u>	<u>2,113,971</u>	<u>16,631,621</u>
<i>Total Liabilities</i>	<u>15,797,619</u>	<u>2,419,484</u>	<u>18,217,103</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	38,108,281	909,455	39,017,736
Unrestricted (Deficit)	7,475,335	(27,918)	7,447,417
<i>Total Net Assets</i>	<u>\$45,583,616</u>	<u>\$881,537</u>	<u>\$46,465,153</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, 2003*

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Operating Revenues			
Charges for Services	\$4,575,358	\$1,047,596	\$5,622,954
Tap-In Fees	508,663	0	508,663
Rentals	0	232,705	232,705
Miscellaneous	9,638	8,100	17,738
<i>Total Operating Revenues</i>	<u>5,093,659</u>	<u>1,288,401</u>	<u>6,382,060</u>
Operating Expenses			
Personal Services	1,720,523	630,926	2,351,449
Materials and Supplies	226,421	256,905	483,326
Contractual Services	1,371,838	175,880	1,547,718
Depreciation	1,583,724	41,785	1,625,509
Other	35,958	265,547	301,505
<i>Total Operating Expenses</i>	<u>4,938,464</u>	<u>1,371,043</u>	<u>6,309,507</u>
<i>Operating Income (Loss)</i>	155,195	(82,642)	72,553
Non-Operating Expenses			
Interest and Fiscal Charges	(525,686)	(38,431)	(564,117)
<i>Income (Loss) before Transfers and Capital Contributions</i>	(370,491)	(121,073)	(491,564)
Capital Contributions	4,665,333	0	4,665,333
Transfers In	205,926	6,908	212,834
<i>Change in Net Assets</i>	4,500,768	(114,165)	4,386,603
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>41,082,848</u>	<u>995,702</u>	<u>42,078,550</u>
<i>Net Assets End of Year</i>	<u><u>\$45,583,616</u></u>	<u><u>\$881,537</u></u>	<u><u>\$46,465,153</u></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, 2003

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$4,873,702	\$1,046,064	\$5,919,766
Cash Received from Tap-In Fees	510,313	0	510,313
Cash Received from Rentals	0	232,705	232,705
Cash Received from Other Sources	9,638	8,100	17,738
Cash Payments to Employees for Services and Benefits	(1,681,084)	(602,492)	(2,283,576)
Cash Payments for Goods and Services	(1,659,595)	(353,072)	(2,012,667)
Cash Payments for Other Operating Expenses	(35,958)	(265,547)	(301,505)
<i>Net Cash Provided by Operating Activities</i>	2,017,016	65,758	2,082,774
Cash Flows from Noncapital Financing Activities			
Transfers In	205,926	6,908	212,834
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(498,385)	(761,519)	(1,259,904)
Principal Paid on OWDA Loans	(1,069,321)	0	(1,069,321)
Interest Paid on OWDA Loans	(525,686)	0	(525,686)
Proceeds from Interfund Loan	0	817,559	817,559
Principal Paid on Interfund Loan	0	(82,751)	(82,751)
Interest Paid on Interfund Loan	0	(38,431)	(38,431)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(2,093,392)	(65,142)	(2,158,534)
<i>Net Increase in Cash and Cash Equivalents</i>	129,550	7,524	137,074
<i>Cash and Cash Equivalents Beginning of Year</i>	7,719,824	224,266	7,944,090
<i>Cash and Cash Equivalents End of Year</i>	\$7,849,374	\$231,790	\$8,081,164

(continued)

City of Solon, Ohio
Statement of Cash Flows
Enterprise Funds (continued)
For the Year Ended December 31, 2003

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$155,195	(\$82,642)	\$72,553
Adjustments:			
Depreciation	1,583,724	41,785	1,625,509
(Increase) Decrease in Assets:			
Accounts Receivable	302,198	(1,069)	301,129
Materials and Supplies Inventory	(42,787)	5,192	(37,595)
Increase (Decrease) in Liabilities:			
Accounts Payable	(19,598)	74,521	54,923
Accrued Wages and Benefits	9,031	6,692	15,723
Compensated Absences Payable	22,855	12,582	35,437
Vacation Benefits Payable	4,078	8,478	12,556
Intergovernmental Payable	2,320	219	2,539
<i>Net Cash Provided by Operating Activities</i>	<u>\$2,017,016</u>	<u>\$65,758</u>	<u>\$2,082,774</u>

Noncash Capital Financing Activities

During 2003, the infrastructure capital projects fund paid \$4,665,333 directly to contractors on behalf of the water reclamation enterprise fund. This amount is included in capital contributions.

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$978,676</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$978,676</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, 2003

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 provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Pronouncements 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, 2003

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 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 for 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.

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Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 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 2003, 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, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$1,298,459, which includes \$649,358 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, 2003, 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
Notes to the Basic Financial Statements
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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. 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 was not 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	50 - 65 years

For 2003, the City reported infrastructure for the first time which consists of roadways. For 2003, infrastructure capital assets were calculated without the City's bridges and culverts. The reporting of infrastructure assets will be completed in 2004 with the inclusion of bridges and culverts.

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.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

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 interfund loans and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

City of Solon, Ohio
Notes to the Basic Financial Statements
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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. Net assets restricted for other purposes include street maintenance, 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.

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.

City of Solon, Ohio
Notes to the Basic Financial Statements
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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 level within the general fund and at the fund 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.

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 budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect at the time 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 - Change in Accounting Principles and Restatement of Prior Year Fund Equity

A. Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No.41, "Budgetary Comparison Schedules – Perspective Differences" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatements explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year.

City of Solon, Ohio
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For the Year Ended December 31, 2003

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No.41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the City.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Equity/Balance

At December 31, 2002 the business type activities had the following restatements. These restatements had the following effect on fund equity as it was previously reported.

	Water Reclamation	Grantwood Recreation	Business-Type Activities
Fund Equity,			
December 31, 2002	\$40,307,230	\$1,609,372	\$41,916,602
Correction to Capital Assets	779,644	293,555	1,073,199
Interfund Loans Payable	0	(907,225)	(907,225)
OWDA Loans Payable	(4,026)	0	(4,026)
Adjusted Net Assets			
December 31, 2002	\$41,082,848	\$995,702	\$42,078,550

City of Solon, Ohio
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The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	General Obligation Bond Retirement	Infrastructure	
Fund Balances, December 31, 2002	\$34,336,152	\$1,995,644	\$12,199,895	
Fund Reclassification	0	0	315,434	
Interfund Loans Receivable	907,225	0	0	
Prepaid Items	191,948	0	0	
GASB Interpretation No. 6	75,412	0	0	
Adjusted Fund Balances, December 31, 2002	<u>\$35,510,737</u>	<u>\$1,995,644</u>	<u>\$12,515,329</u>	
	Community Center	Building Construction	Nonmajor	Total
Fund Balances, December 31, 2002	(\$3,563,377)	\$79,221	\$8,672,220	\$53,719,755
Fund Reclassification	0	0	(315,434)	0
Interfund Loans Receivable	0	0	0	907,225
Prepaid Items	0	0	0	191,948
GASB Interpretation No. 6	0	0	5,288	80,700
Adjusted Fund Balances, December 31, 2002	<u>(\$3,563,377)</u>	<u>\$79,221</u>	<u>\$8,362,074</u>	54,899,628
GASB 34 Adjustments:				
Capital Assets				65,243,056
Vacation Benefits Payable				(249,831)
Pension Obligations				(342,954)
Compensated Absences				(2,159,547)
Long-Term Liabilities				(30,117,946)
Accrued Interest Payable				(93,766)
Long-Term (Deferred) Assets				<u>6,172,839</u>
Governmental Activities Net Assets, December 31, 2002				<u>\$93,351,479</u>

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 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).

City of Solon, Ohio
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- 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 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 table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	General
GAAP Basis	(\$5,682,874)
Net Adjustment for Revenue Accruals	1,336,044
Beginning Fair Value Adjustment for Investments	(448,671)
Ending Fair Value Adjustment for Investments	(290,695)
Net Adjustment for Expenditure Accruals	427,082
Interfund Loan Repayment	82,751
Interfund Loan	(817,559)
Beginning Unrecorded Cash	2,234
Ending Unrecorded Cash	(24,304)
Encumbrances	(808,064)
Budget Basis	(\$6,224,056)

Note 5 – Compliance and Accountability

A. Compliance

The community center capital projects fund and the grantwood recreation park enterprise fund had total original appropriations in excess of estimated resources plus carryover balances by \$4,534,325 and \$122,457, respectively, contrary to Section 5705.39, Revised Code.

The community center and building construction capital projects funds and the grantwood recreation park enterprise fund had total final appropriations in excess of estimated resources plus carryover balances by \$4,534,325, \$1,446,572 and \$201,456, respectively, contrary to Section 5705.39, Revised Code.

In 2003, the City liquidated the unused balance of several 2002 purchase orders for construction contracts that led to an addition to the unencumbered carryover balance at January 1st. The City then appropriated this adjusted or increased carryover in the 2003 Appropriations and issued new 2003 purchase orders. The County Budget Commission accepted this adjustment and issued a certificate that the city's appropriations did not exceed its estimated resources in 2003. Although these violations were not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

City of Solon, Ohio
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B. Accountability

The community center and the building construction capital projects funds have deficit fund balances as of December 31, 2003 in the amounts of \$3,634,093 and \$1,078,059 respectively.

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 \$5,999,351 and the bank balance was \$6,670,734. Of the bank balance:

1. \$265,902 was covered by federal depository insurance.
2. \$6,404,832 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.

City of Solon, Ohio
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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.

Type	Category 3	Carrying Value	Fair Value
StarOhio		\$1,295,631	\$1,295,631
Repurchase Agreement	\$935,000	935,000	935,000
Federal Home Loan Bank Bonds	17,890,950	17,890,950	17,890,950
Federal Home Loan Mortgage Corporation Bonds	3,010,320	3,010,320	3,010,320
Federal Home Loan Mortgage Corporation Notes	20,916,520	20,916,520	20,916,520
Federal National Mortgage Association Notes	10,988,450	10,988,450	10,988,450
Total	<u>\$53,741,240</u>	<u>\$55,036,871</u>	<u>\$55,036,871</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	\$61,036,222	\$0
Investments		
StarOhio	(1,295,631)	1,295,631
Repurchase Agreement	(935,000)	935,000
Federal Home Loan Bank Bonds	(17,890,950)	17,890,950
Federal Home Loan Mortgage Corporation Bonds	(3,010,320)	3,010,320
Federal Home Loan Mortgage Corporation Notes	(20,916,520)	20,916,520
Federal National Mortgage Association Notes	(10,988,450)	10,988,450
GASB Statement No. 3	<u>\$5,999,351</u>	<u>\$55,036,871</u>

City of Solon, Ohio
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Note 7 – Receivables

Receivables at December 31, 2003, 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 \$3,442,334 in the general obligation bond retirement fund. At December 31, 2003, the amount of delinquent special assessments was \$33,982.

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 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. 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, 2003 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$901,714,670
Public Utility Personal Property	20,096,400
Tangible Personal Property	<u>217,973,828</u>
Total	<u><u>\$1,139,784,898</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.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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, 2003 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 2003 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.

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 2003, 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:

Governmental Activities	Amount
Local Government	\$462,794
Street Construction Maintenance and Repair	356,694
Estate Tax	235,668
Homestead and Rollback	206,147
Prisoner Housing	67,100
State Highway	28,921
County Auditor	28,913
Bedford Municipal Court	18,400
State of Ohio	15,019
City of Solon	7,332
Cuyahoga Court	5,556
City of Shaker Heights	2,250
Law Enforcement	2,100
Village of Highland	1,163
Clerk of Council	808
Broadview Heights	75
Total Intergovernmental Receivables	\$1,438,940

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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, 2003.

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, 2003, was as follows:

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$7,311,363	\$411,008	\$0	\$7,722,371
Construction in progress	17,083,390	7,787,357	(24,616,264)	254,483
Total Capital Assets Not Being Depreciated	24,394,753	8,198,365	(24,616,264)	7,976,854
Capital Assets Being Depreciated				
Land improvements	611,211	0	0	611,211
Buildings	30,613,504	19,479,426	0	50,092,930
Equipment and Furniture	2,508,483	597,043	0	3,105,526
Vehicles	7,008,968	1,386,561	(222,434)	8,173,095
Infrastructure	33,359,625	6,481,918	0	39,841,543
Total Capital Assets Being Depreciated	74,101,791	27,944,948	(222,434)	101,824,305
Less Accumulated Depreciation				
Land improvements	(225,975)	(30,324)	0	(256,299)
Buildings	(4,972,450)	(1,243,575)	0	(6,216,025)
Equipment and Furniture	(1,325,365)	(233,940)	0	(1,559,305)
Vehicles	(3,411,271)	(703,508)	198,434	(3,916,345)
Infrastructure	(23,318,427)	(1,729,916)	0	(25,048,343)
Total Accumulated Depreciation	(33,253,488)	(3,941,263) *	198,434	(36,996,317)
Capital Assets Being Depreciated, net	40,848,303	24,003,685	(24,000)	64,827,988
Governmental Activities Capital Assets, net	\$65,243,056	\$32,202,050	(\$24,640,264)	\$72,804,842

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Business Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$2,695,554	\$454,620	\$0	\$3,150,174
Construction in Progress	833,344	4,955,878	(5,789,222)	0
Total Capital Assets Not Being Depreciated	3,528,898	5,410,498	(5,789,222)	3,150,174
Capital Assets Being Depreciated				
Land Improvements	242,729	5,678	0	248,407
Buildings	27,647,050	298,327	0	27,945,377
Equipment and Furniture	5,455,272	28,993	0	5,484,265
Vehicles	658,098	0	0	658,098
Infrastructure	35,581,106	5,970,964	0	41,552,070
Total Capital Assets Being Depreciated	69,584,255	6,303,962	0	75,888,217
Less Accumulated Depreciation				
Land Improvements	(211,797)	(5,374)	0	(217,171)
Buildings	(6,038,010)	(698,207)	0	(6,736,217)
Equipment and Furniture	(3,357,856)	(242,209)	0	(3,600,065)
Vehicles	(383,226)	(36,564)	0	(419,790)
Infrastructure	(10,965,445)	(643,155)	0	(11,608,600)
Total Accumulated Depreciation	(20,956,334)	(1,625,509)	0	(22,581,843)
Capital Assets Being Depreciated, net	48,627,921	4,678,453	0	53,306,374
Business Type Activities Capital Assets, net	\$52,156,819	\$10,088,951	(\$5,789,222)	\$56,456,548

* Depreciation expense was charged to governmental activities as follows:

General Government	\$298,025
Security of Persons and Property	
Police	375,106
Fire	374,615
Leisure Time Activities	562,770
Community Environment	600,831
Transportation	1,729,916
Total Depreciation Expense	\$3,941,263

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 providing 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 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.

City of Solon, Ohio
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The claims liability of \$102,384 reported in the general fund at December 31, 2003 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 2002 and 2003 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$71,138	\$1,197,624	\$1,156,231	\$112,531
2003	112,531	1,535,235	1,545,382	102,384

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 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, 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 of Solon's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City of Solon's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The City of Solon's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$893,920, \$837,780, and \$825,582 respectively; 89.23 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$14,122 made by the City of Solon and \$8,859 made by the plan members.

B. OHIO POLICE AND FIRE PENSION FUND

The City of Solon 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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City of Solon is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City of Solon's contributions to the Fund for police and firefighters were \$315,927 and \$566,535 for the year ended December 31, 2003, \$302,085 and \$502,689 for the year ended December 31, 2002, and \$289,052 and \$457,865 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 72.95 percent for police and 72.74 percent for firefighters has been contributed for 2003 with the remainder being reported as a liability.

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 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 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, 2002, 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 4.00 percent annually.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$522,760. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City of Solon's actual contributions for 2003 that were used to fund postemployment benefits were \$208,378 for police and \$270,194 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 to his estate upon death.

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:

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
2.0% Matures December 11, 2004 Community Center Fund	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Unamortized Premium	0	49,200	4,100	45,100
2.0% Matures December 11, 2004 Building Construction Fund	<u>2,500,000</u>	<u>2,000,000</u>	<u>2,500,000</u>	<u>2,000,000</u>
Total	<u>\$7,500,000</u>	<u>\$7,049,200</u>	<u>\$7,504,100</u>	<u>\$7,045,100</u>

In 2003, the City issued \$5,000,000 in Various Improvement bond anticipation notes for the construction of the community center which was completed during 2003. These notes mature on December 11, 2004.

In 2003, the City issued \$2,000,000 in Various Improvement bond anticipation notes for various construction projects throughout the City. These notes mature on December 11, 2004.

The community center note was issued at a premium of \$49,200. 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 15 - Long-Term Obligations

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

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
1993 \$7,350,000 - 5.19%					
New City Hall Construction	\$4,885,000	\$0	(\$340,000)	\$4,545,000	\$355,000
1995 \$6,695,000 - 4.88%					
Various Purpose Refunding	3,055,000	0	(560,000)	2,495,000	580,000
1997 \$3,700,000 - 5.70%					
Library Building	3,060,000	0	(140,000)	2,920,000	150,000
2002 \$12,235,000 - 3.00% to 4.60%					
Community Center	11,570,000	0	(695,000)	10,875,000	710,000
<i>Total General Obligation Bonds</i>	<u>22,570,000</u>	<u>0</u>	<u>(1,735,000)</u>	<u>20,835,000</u>	<u>1,795,000</u>
Special Assessment Bonds					
1985 \$2,100,000 - 8.25%					
Sherbrook Drive	315,000	0	(105,000)	210,000	105,000
1992 \$1,500,000 - 6.31%					
County Issued Miles Sewer	789,309	0	(100,959)	688,350	71,130
<i>Total Special Assessment Bonds</i>	<u>1,104,309</u>	<u>0</u>	<u>(205,959)</u>	<u>898,350</u>	<u>176,130</u>
OWDA Loans					
1993 \$5,894,814 - 4.30%					
Northeast Pump	1,614,966	0	(117,613)	1,497,353	122,725
1997 \$1,249,104 - 4.16%					
Aurora/Liberty Sanitary Sewer	975,292	0	(52,579)	922,713	65,037
2003 \$4,605,768 - 1.87%					
Aurora Road West Draw	3,138,636	1,268,815	0	4,407,451	136,365
<i>Total OWDA Loans</i>	<u>5,728,894</u>	<u>1,268,815</u>	<u>(170,192)</u>	<u>6,827,517</u>	<u>324,127</u>
OPWC Loans					
1996 \$952,295 - 0%					
Solon Allotment	571,377	0	(47,615)	523,762	47,615
1999 \$195,500 - 0%					
Cochran Project	143,366	0	(13,033)	130,333	13,033
<i>Total OPWC Loans</i>	<u>714,743</u>	<u>0</u>	<u>(60,648)</u>	<u>654,095</u>	<u>60,648</u>
Other Long-term Obligations					
Compensated Absences	2,159,547	228,534	(93,043)	2,295,038	516,707
<i>Total General Long-term Obligations</i>	<u>\$32,277,493</u>	<u>\$1,497,349</u>	<u>(\$2,264,842)</u>	<u>\$31,510,000</u>	<u>\$2,872,612</u>

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Amounts Due in One Year
Business-type Activities					
OWDA Loans					
1971 \$509,646 - 6.25%					
Treatment Plant Expansion	\$225,310	\$0	(\$20,859)	\$204,451	\$22,163
1993 \$5,894,814 - 4.30%					
Northeast Pump	2,230,191	0	(162,418)	2,067,773	169,477
1996 \$18,763,183 - 3.04%					
Treatment Plant Upgrade and Expansion	13,600,264	0	(867,386)	12,732,878	893,954
1997 \$401,178 - 3.54%					
Treatment Plant Upgrade and Expansion	301,987	0	(18,658)	283,329	19,325
Total OWDA Loans	16,357,752	0	(1,069,321)	15,288,431	1,104,919
Other Long-term Liabilities					
Compensated Absences	445,017	94,622	(59,185)	480,454	102,053
Interfund Loans 4.16% - 4.75%	1,415,573	817,559	(82,751)	2,150,381	80,673
Total Business-type Activities	\$18,218,342	\$912,181	(\$1,211,257)	\$17,919,266	\$1,287,645

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 the 1992 general obligation and special assessment bond issues, which are going to be repaid with property taxes and special assessments. 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 County issued special assessment bonds for the installation of the Miles Road Sanitary Sewer Project. The City of Solon and Orange Village make payments to the County for their portion of the debt. The City of Solon's portion is \$1,500,000 or 45.89 percent. 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, the City received a \$4,605,768 Ohio Water Development Authority loan for the installation of the Aurora Road Sanitary Sewer 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 2016.

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.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$4,605,768 for the Aurora Road project; however, since this loan has not been finalized, the repayment schedule is not included in the schedule of debt service requirements.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

At December 31, 2003, the Grantwood recreation enterprise fund has borrowed \$2,150,381 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.

The City's overall legal debt margin was \$93,486,994 with an unvoted debt margin of \$36,497,749 at December 31, 2003. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2004	\$1,795,000	\$984,578	\$176,130	\$33,719	\$177,514	\$100,902	\$60,648
2005	1,870,000	913,065	173,835	25,125	185,150	93,265	60,648
2006	1,960,000	833,985	73,424	15,085	193,116	85,299	60,648
2007	2,045,000	745,553	73,424	13,617	201,424	76,992	60,648
2008	1,435,000	650,231	75,719	12,148	210,090	68,326	60,648
2009 - 2013	7,410,000	2,199,244	325,818	27,158	1,194,096	197,980	303,241
2014 - 2018	2,870,000	781,935	0	0	258,676	19,155	47,614
2019 - 2021	1,450,000	147,250	0	0	0	0	0
Total	\$20,835,000	\$7,255,841	\$898,350	\$126,852	\$2,420,066	\$641,919	\$654,095

Business Type Activities

	OWDA Loans		Interfund Loans	
	Principal	Interest	Principal	Interest
2004	\$1,104,919	\$490,087	\$80,673	\$69,962
2005	1,141,743	453,263	158,308	90,402
2006	1,179,838	415,168	165,131	83,580
2007	1,219,248	375,758	172,247	76,464
2008	1,260,021	334,985	179,670	69,040
2009 - 2013	6,871,928	1,015,748	615,827	252,554
2014 - 2018	2,510,734	96,216	621,353	121,985
2019	0	0	157,172	6,538
Total	\$15,288,431	\$3,181,225	\$2,150,381	\$770,525

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, 2003, \$2,510,000 of these bonds outstanding were considered defeased.

In 2003, Cuyahoga County refunded the 1992 County Issued Miles Sewer special assessment bonds. This refunding has affected the principal and interest payments made by the City of Solon.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, the City of Solon paid \$222,676 in premiums from the general fund, which represents 17.67 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 100 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 2003. Financial information can be obtained by contacting the Board Chariman at 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

Interfund transfers for the year ended December 31, 2003, consisted of the following:

Transfers To	Transfer From General
<i>Major Funds:</i>	
Community Center	\$6,000,000
Building Construction	500,000
Water Reclamation	205,926
Grantwood Recreation	6,908
Total Major Funds	\$6,712,834
<i>Nonmajor Funds:</i>	
Police Pension	\$167,500
Fire Pension	555,000
Cable TV	11,944
Recreation	1,270,000
Senior Services	610,000
Landfill Improvement	41,825
Safety and Service Equipment	900,000
Total Nonmajor Funds	3,556,269
Total All Funds	\$10,269,103

City of Solon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The general fund transfer to the building construction capital projects fund was to provide payment for the bond anticipation notes payable for year 2003. The general fund transfer to the community center capital projects fund was to pay the cash portion of construction costs for this project. 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. The general fund transfer to the safety and service equipment capital projects fund is an annual subsidy to cover costs not covered by the levy.

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 are 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, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,679,723	\$3,070,875	\$6,750,598
Accounts Receivable	6,891	111	7,002
Intergovernmental Receivable	418,531	21,253	439,784
Property Taxes Receivable	639,500	439,989	1,079,489
<i>Total Assets</i>	<u>\$4,744,645</u>	<u>\$3,532,228</u>	<u>\$8,276,873</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$68,077	\$0	\$68,077
Accrued Wages	44,046	0	44,046
Contracts Payable	0	35,222	35,222
Intergovernmental Payable	27,247	0	27,247
Deferred Revenue	997,135	461,242	1,458,377
<i>Total Liabilities</i>	<u>1,136,505</u>	<u>496,464</u>	<u>1,632,969</u>
Fund Balances			
Reserved for Encumbrances	87,711	314,672	402,383
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	3,520,429	0	3,520,429
Capital Projects Funds	0	2,721,092	2,721,092
<i>Total Fund Balances</i>	<u>3,608,140</u>	<u>3,035,764</u>	<u>6,643,904</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,744,645</u>	<u>\$3,532,228</u>	<u>\$8,276,873</u>

City of Solon, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$597,726	\$432,110	\$1,029,836
Intergovernmental	832,138	42,506	874,644
Fees, Licenses and Permits	202,069	0	202,069
Rentals	8,397	0	8,397
Charges for Services	1,953,442	30,012	1,983,454
Contributions and Donations	47,961	20,000	67,961
Miscellaneous	57,721	15,227	72,948
<i>Total Revenues</i>	<u>3,699,454</u>	<u>539,855</u>	<u>4,239,309</u>
Expenditures			
Current:			
Security of Persons and Property			
Police	563,400	0	563,400
Fire	821,490	0	821,490
Leisure Time Activities	4,276,719	0	4,276,719
Community Environment	17,828	0	17,828
Basic Utility Services	60,135	0	60,135
Transportation	1,079,831	0	1,079,831
General Government	3,754	0	3,754
Capital Outlay	0	2,690,591	2,690,591
<i>Total Expenditures</i>	<u>6,823,157</u>	<u>2,690,591</u>	<u>9,513,748</u>
<i>Excess of Revenues Under Expenditures</i>	(3,123,703)	(2,150,736)	(5,274,439)
Other Financing Sources			
Transfers In	<u>2,656,269</u>	<u>900,000</u>	<u>3,556,269</u>
<i>Net Change in Fund Balances</i>	(467,434)	(1,250,736)	(1,718,170)
<i>Fund Balances Beginning of Year</i>	<u>4,075,574</u>	<u>4,286,500</u>	<u>8,362,074</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,608,140</u></u>	<u><u>\$3,035,764</u></u>	<u><u>\$6,643,904</u></u>

City of Solon, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003

	Street Construction, Maintenance and Repair	State Highway	Police Pension	Fire Pension	Cable TV
Assets					
Equity in Pooled Cash and Cash Equivalents	\$744,183	\$14,375	\$193,227	\$237,540	\$434,888
Accounts Receivable	0	0	0	0	0
Intergovernmental Receivable	356,694	28,921	15,408	15,408	0
Property Taxes Receivable	0	0	319,750	319,750	0
<i>Total Assets</i>	<u>\$1,100,877</u>	<u>\$43,296</u>	<u>\$528,385</u>	<u>\$572,698</u>	<u>\$434,888</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Accrued Wages	0	0	0	0	0
Intergovernmental Payable	0	0	0	0	95
Deferred Revenue	302,308	24,511	335,158	335,158	0
<i>Total Liabilities</i>	<u>302,308</u>	<u>24,511</u>	<u>335,158</u>	<u>335,158</u>	<u>95</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	0	1,280
Unreserved, Undesignated (Deficit)	798,569	18,785	193,227	237,540	433,513
<i>Total Fund Balances</i>	<u>798,569</u>	<u>18,785</u>	<u>193,227</u>	<u>237,540</u>	<u>434,793</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,100,877</u>	<u>\$43,296</u>	<u>\$528,385</u>	<u>\$572,698</u>	<u>\$434,888</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>
\$200,356	\$377	\$112,268	\$78,645	\$173,089	\$1,365,446	\$58,960
0	0	3,685	756	0	2,450	0
0	0	0	0	0	0	2,100
0	0	0	0	0	0	0
<u>\$200,356</u>	<u>\$377</u>	<u>\$115,953</u>	<u>\$79,401</u>	<u>\$173,089</u>	<u>\$1,367,896</u>	<u>\$61,060</u>
\$0	\$0	\$43,585	\$23,494	\$0	\$0	\$998
0	0	32,535	11,511	0	0	0
0	0	20,344	6,808	0	0	0
0	0	0	0	0	0	0
0	0	96,464	41,813	0	0	998
0	0	64,331	18,084	0	0	1,992
200,356	377	(44,842)	19,504	173,089	1,367,896	58,070
200,356	377	19,489	37,588	173,089	1,367,896	60,062
<u>\$200,356</u>	<u>\$377</u>	<u>\$115,953</u>	<u>\$79,401</u>	<u>\$173,089</u>	<u>\$1,367,896</u>	<u>\$61,060</u>

(continued)

City of Solon, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2003

	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	\$56,868	\$3,679,723
Accounts Receivable	0	0	0	6,891
Intergovernmental Receivable	0	0	0	418,531
Property Taxes Receivable	0	0	0	639,500
<i>Total Assets</i>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$56,868</u>	<u>\$4,744,645</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$68,077
Accrued Wages	0	0	0	44,046
Intergovernmental Payable	0	0	0	27,247
Deferred Revenue	0	0	0	997,135
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,136,505</u>
Fund Balances				
Reserved for Encumbrances	0	0	2,024	87,711
Unreserved, Undesignated (Deficit)	4,000	5,501	54,844	3,520,429
<i>Total Fund Balances</i>	<u>4,000</u>	<u>5,501</u>	<u>56,868</u>	<u>3,608,140</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$56,868</u>	<u>\$4,744,645</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, 2003

	Street Construction, Maintenance and Repair	State Highway	Police Pension	Fire Pension	Cable TV
Revenues					
Property Taxes	\$0	\$0	\$298,863	\$298,863	\$0
Intergovernmental	682,175	54,310	30,816	30,816	0
Fees, Licenses and Permits	0	0	0	0	195,055
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>682,175</u>	<u>54,310</u>	<u>329,679</u>	<u>329,679</u>	<u>202,555</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	0	0	518,826	0	0
Fire	0	0	0	821,490	0
Leisure Time Activities	0	0	0	0	125,230
Community Environment	0	0	0	0	0
Basic Utility Services	0	0	0	0	0
Transportation	1,032,159	47,672	0	0	0
General Government	0	0	0	0	0
<i>Total Expenditures</i>	<u>1,032,159</u>	<u>47,672</u>	<u>518,826</u>	<u>821,490</u>	<u>125,230</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(349,984)	6,638	(189,147)	(491,811)	77,325
Other Financing Sources					
Transfers In	0	0	167,500	555,000	11,944
<i>Net Change in Fund Balances</i>	(349,984)	6,638	(21,647)	63,189	89,269
<i>Fund Balances Beginning of Year</i>	<u>1,148,553</u>	<u>12,147</u>	<u>214,874</u>	<u>174,351</u>	<u>345,524</u>
<i>Fund Balances End of Year</i>	<u>\$798,569</u>	<u>\$18,785</u>	<u>\$193,227</u>	<u>\$237,540</u>	<u>\$434,793</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, 2003

	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	8,397	0
Charges for Services	14,030	0	1,646,909	292,503	0
Contributions and Donations	0	0	0	23,962	16,013
Miscellaneous	0	0	2,443	47,778	0
<i>Total Revenues</i>	<u>14,030</u>	<u>0</u>	<u>1,649,352</u>	<u>372,640</u>	<u>16,013</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	0	0	0	0	12,237
Fire	0	0	0	0	0
Leisure Time Activities	0	0	3,070,777	1,069,628	0
Community Environment	0	0	0	0	0
Basic Utility Services	0	0	0	0	0
Transportation	0	0	0	0	0
General Government	0	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>3,070,777</u>	<u>1,069,628</u>	<u>12,237</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	14,030	0	(1,421,425)	(696,988)	3,776
Other Financing Sources					
Transfers In	0	0	1,270,000	610,000	0
<i>Net Change in Fund Balances</i>	14,030	0	(151,425)	(86,988)	3,776
<i>Fund Balances Beginning of Year</i>	<u>186,326</u>	<u>377</u>	<u>170,914</u>	<u>124,576</u>	<u>169,313</u>
<i>Fund Balances End of Year</i>	<u>\$200,356</u>	<u>\$377</u>	<u>\$19,489</u>	<u>\$37,588</u>	<u>\$173,089</u>

Landfill Improvement	Law Enforcement Trust	Community Improvement Corporation	Cemetery Endowment Trust	Donations Trust	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$597,726
0	34,021	0	0	0	832,138
7,014	0	0	0	0	202,069
0	0	0	0	0	8,397
0	0	0	0	0	1,953,442
0	0	0	0	7,986	47,961
0	0	0	0	0	57,721
<u>7,014</u>	<u>34,021</u>	<u>0</u>	<u>0</u>	<u>7,986</u>	<u>3,699,454</u>
0	31,479	0	0	858	563,400
0	0	0	0	0	821,490
0	0	0	0	11,084	4,276,719
0	0	0	0	17,828	17,828
60,135	0	0	0	0	60,135
0	0	0	0	0	1,079,831
0	0	0	54	3,700	3,754
<u>60,135</u>	<u>31,479</u>	<u>0</u>	<u>54</u>	<u>33,470</u>	<u>6,823,157</u>
(53,121)	2,542	0	(54)	(25,484)	(3,123,703)
<u>41,825</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,656,269</u>
(11,296)	2,542	0	(54)	(25,484)	(467,434)
<u>1,379,192</u>	<u>57,520</u>	<u>4,000</u>	<u>5,555</u>	<u>82,352</u>	<u>4,075,574</u>
<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>

City of Solon, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003

	Safety and Service Equipment	Old City Hall Renovations	General Capital Improvements	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$699,591	\$195,113	\$2,176,171	\$3,070,875
Accounts Receivable	0	0	111	111
Intergovernmental Receivable	21,253	0	0	21,253
Property Taxes Receivable	439,989	0	0	439,989
<i>Total Assets</i>	<u>\$1,160,833</u>	<u>\$195,113</u>	<u>\$2,176,282</u>	<u>\$3,532,228</u>
Liabilities and Fund Balances				
Liabilities				
Contracts Payable	\$4,973	\$0	\$30,249	\$35,222
Deferred Revenue	461,242	0	0	461,242
<i>Total Liabilities</i>	<u>466,215</u>	<u>0</u>	<u>30,249</u>	<u>496,464</u>
Fund Balances				
Reserved for Encumbrances	239,618	39,925	35,129	314,672
Unreserved, Undesignated	455,000	155,188	2,110,904	2,721,092
<i>Total Fund Balances</i>	<u>694,618</u>	<u>195,113</u>	<u>2,146,033</u>	<u>3,035,764</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,160,833</u>	<u>\$195,113</u>	<u>\$2,176,282</u>	<u>\$3,532,228</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, 2003

	Safety and Service Equipment	Old City Hall Renovations	General Capital Improvements	Total Nonmajor Capital Projects Funds
Revenues				
Property Taxes	\$432,110	\$0	\$0	\$432,110
Intergovernmental	42,506	0	0	42,506
Charges for Services	0	0	30,012	30,012
Contributions and Donations	0	20,000	0	20,000
Miscellaneous	15,227	0	0	15,227
<i>Total Revenues</i>	489,843	20,000	30,012	539,855
Expenditures				
Capital Outlay	1,500,310	0	1,190,281	2,690,591
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,010,467)	20,000	(1,160,269)	(2,150,736)
Other Financing Sources				
Transfers In	900,000	0	0	900,000
<i>Net Change in Fund Balances</i>	(110,467)	20,000	(1,160,269)	(1,250,736)
<i>Fund Balances Beginning of Year</i>	805,085	175,113	3,306,302	4,286,500
<i>Fund Balances End of Year</i>	<u>\$694,618</u>	<u>\$195,113</u>	<u>\$2,146,033</u>	<u>\$3,035,764</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, 2003

	Beginning Balance 12/31/02	Additions	Deductions	Ending Balance 12/31/03
<i>Inspection Deposits Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$993,047	\$245,836	\$261,525	\$977,358
Liabilities				
Deposits Held and Due to Others	\$993,047	\$245,836	\$261,525	\$977,358
 <i>DARE Scholarship Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,218	\$100	\$0	\$1,318
Liabilities				
Deposits Held and Due to Others	\$1,218	\$100	\$0	\$1,318
 <i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$994,265	\$245,936	\$261,525	\$978,676
Liabilities				
Deposits Held and Due to Others	\$994,265	\$245,936	\$261,525	\$978,676

**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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$745,634	\$758,534	\$738,525	(\$20,009)
Municipal Income Taxes	21,471,057	21,925,000	21,587,275	(337,725)
Other Local Taxes	541,633	550,400	554,281	3,881
Intergovernmental	1,261,358	1,280,943	937,656	(343,287)
Investment Income	1,895,234	1,927,249	2,037,825	110,576
Fees, Licenses and Permits	615,537	625,500	750,079	124,579
Fines and Forfeitures	286,365	291,000	279,716	(11,284)
Charges for Services	645,059	655,500	743,794	88,294
Miscellaneous	23,664	24,047	53,447	29,400
<i>Total Revenues</i>	<u>27,485,541</u>	<u>28,038,173</u>	<u>27,682,598</u>	<u>(355,575)</u>
Expenditures				
Current:				
Security of Persons and Property				
Police				
Personal Services	4,970,312	4,970,312	4,814,200	156,112
Materials and Supplies	389,406	389,406	338,577	50,829
Contractual Services	408,102	408,102	360,311	47,791
Capital Outlay	90,659	90,659	71,725	18,934
Total Police	<u>5,858,479</u>	<u>5,858,479</u>	<u>5,584,813</u>	<u>273,666</u>
Fire				
Personal Services	4,317,278	4,317,278	4,194,737	122,541
Materials and Supplies	225,649	225,649	220,060	5,589
Contractual Services	154,696	154,696	120,594	34,102
Capital Outlay	64,206	64,206	64,206	0
Total Fire	<u>4,761,829</u>	<u>4,761,829</u>	<u>4,599,597</u>	<u>162,232</u>
Prosecutor				
Prosecutor's Office				
Personal Services	128,570	128,570	122,205	6,365
Materials and Supplies	240,533	240,533	218,762	21,771
Total Prosecutor's Office	<u>369,103</u>	<u>369,103</u>	<u>340,967</u>	<u>28,136</u>
Teen Court				
Personal Services	17,000	27,000	18,311	8,689
Materials and Supplies	1,800	1,800	1,484	316
Total Teen Court	<u>18,800</u>	<u>28,800</u>	<u>19,795</u>	<u>9,005</u>
Total Prosecutor	<u>387,903</u>	<u>397,903</u>	<u>360,762</u>	<u>37,141</u>
Total Security of Persons and Property	<u>\$11,008,211</u>	<u>\$11,018,211</u>	<u>\$10,545,172</u>	<u>\$473,039</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Health and Welfare				
Cemetery				
Personal Services	\$38,000	\$38,000	\$30,544	\$7,456
Materials and Supplies	10,000	10,000	8,631	1,369
Total Cemetery	48,000	48,000	39,175	8,825
County Health District				
Contractual Services	67,586	67,586	67,586	0
Total Public Health and Welfare	115,586	115,586	106,761	8,825
Community Environment				
Planning and Zoning				
Personal Services	390,283	390,283	390,283	0
Materials and Supplies	11,682	11,682	6,554	5,128
Contractual Services	35,026	35,026	23,878	11,148
Capital Outlay	15,220	15,220	15,220	0
Total Planning and Zoning	452,211	452,211	435,935	16,276
Development Board				
Personal Services	14,417	14,417	12,677	1,740
Materials and Supplies	3,200	3,200	2,740	460
Contractual Services	27,700	27,700	19,279	8,421
Total Development Board	45,317	45,317	34,696	10,621
Building Department				
Personal Services	477,976	477,976	471,624	6,352
Materials and Supplies	13,816	13,816	13,716	100
Contractual Services	38,857	38,857	31,996	6,861
Capital Outlay	14,519	14,519	14,156	363
Total Building Department	545,168	545,168	531,492	13,676
Engineering Department				
Personal Services	872,995	872,995	846,537	26,458
Materials and Supplies	32,523	32,523	25,309	7,214
Contractual Services	215,057	215,057	184,832	30,225
Capital Outlay	21,575	21,575	21,575	0
Total Engineering Department	\$1,142,150	\$1,142,150	\$1,078,253	\$63,897

(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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beautification Commission				
Personal Services	\$8,613	\$8,613	\$8,369	\$244
Materials and Supplies	28,014	28,014	19,351	8,663
Contractual Services	21,004	21,004	15,120	5,884
Capital Outlay	1,000	1,000	359	641
Total Beautification Commission	<u>58,631</u>	<u>58,631</u>	<u>43,199</u>	<u>15,432</u>
Total Community Environment	<u>2,243,477</u>	<u>2,243,477</u>	<u>2,123,575</u>	<u>119,902</u>
Basic Utility Services				
Storm Sewers				
Personal Services	246,000	246,000	236,363	9,637
Materials and Supplies	22,728	22,728	21,805	923
Contractual Services	7,577	7,577	6,431	1,146
Total Storm Sewers	<u>276,305</u>	<u>276,305</u>	<u>264,599</u>	<u>11,706</u>
Trees, Leaf and Brush				
Personal Services	92,608	92,608	92,608	0
Materials and Supplies	1,000	1,000	800	200
Contractual Services	55,800	55,800	54,690	1,110
Total Trees, Leaf and Brush	<u>149,408</u>	<u>149,408</u>	<u>148,098</u>	<u>1,310</u>
Refuse Collection and Disposal				
Personal Services	818,619	818,619	816,437	2,182
Materials and Supplies	139,274	139,274	139,274	0
Contractual Services	42,381	42,381	42,381	0
Total Refuse Collection and Disposal	<u>1,000,274</u>	<u>1,000,274</u>	<u>998,092</u>	<u>2,182</u>
Total Basic Utility Services	<u>1,425,987</u>	<u>1,425,987</u>	<u>1,410,789</u>	<u>15,198</u>
Transportation				
Street Lighting				
Contractual Services	587,395	587,395	528,851	58,544
Street Department				
Personal Services	1,397,157	1,397,157	1,397,157	0
Materials and Supplies	1,287,164	1,287,164	1,287,164	0
Contractual Services	262,022	262,022	262,022	0
Capital Outlay	64,337	64,337	48,834	15,503
Total Street Department	<u>3,010,680</u>	<u>3,010,680</u>	<u>2,995,177</u>	<u>15,503</u>
Total Transportation	<u>\$3,598,075</u>	<u>\$3,598,075</u>	<u>\$3,524,028</u>	<u>\$74,047</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Council				
Personal Services	\$250,802	\$250,802	\$248,406	\$2,396
Materials and Supplies	15,331	15,331	15,331	0
Contractual Services	68,655	68,655	57,251	11,404
Capital Outlay	1,682	1,682	1,549	133
Total Council	336,470	336,470	322,537	13,933
Mayor				
Personal Services	211,659	211,659	211,214	445
Materials and Supplies	8,949	8,949	8,949	0
Contractual Services	12,770	12,770	4,252	8,518
Capital Outlay	2,400	2,400	1,799	601
Total Mayor	235,778	235,778	226,214	9,564
Finance				
Personal Services	618,358	618,358	588,800	29,558
Materials and Supplies	22,000	22,000	21,609	391
Contractual Services	79,031	79,031	79,031	0
Capital Outlay	5,000	5,000	4,626	374
Total Finance	724,389	724,389	694,066	30,323
Legal Department				
Personal Services	91,615	91,615	90,020	1,595
Contractual Services	200,000	200,000	125,300	74,700
Total Legal Department	291,615	291,615	215,320	76,295
Human Resources				
Personal Services	219,854	219,854	209,133	10,721
Materials and Supplies	7,670	7,670	3,627	4,043
Contractual Services	129,611	129,611	126,398	3,213
Capital Outlay	9,092	9,092	8,573	519
Total Human Resources	366,227	366,227	347,731	18,496
Civil Service				
Personal Services	3,798	3,798	3,775	23
Materials and Supplies	930	930	866	64
Contractual Services	23,800	23,800	23,442	358
Total Civil Service	\$28,528	\$28,528	\$28,083	\$445

(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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Hall				
Personal Services	\$141,711	\$141,711	\$137,140	\$4,571
Materials and Supplies	7,000	7,000	2,592	4,408
Contractual Services	1,406	1,406	1,374	32
Total City Hall	150,117	150,117	141,106	9,011
Income Tax Department				
Personal Services	272,300	272,300	267,111	5,189
Materials and Supplies	48,259	48,259	40,761	7,498
Contractual Services	29,780	29,780	21,606	8,174
Capital Outlay	1,711,700	1,711,700	1,629,565	82,135
Total Income Tax Department	2,062,039	2,062,039	1,959,043	102,996
Unclaimed Monies				
Other	4,200	4,200	47	4,153
City Administration				
Personal Services	45,346	45,346	40,824	4,522
Materials and Supplies	167,208	167,208	167,208	0
Contractual Services	1,045,789	1,045,789	934,171	111,618
Capital Outlay	116,068	116,068	116,068	0
Total City Administration	1,374,411	1,374,411	1,258,271	116,140
Total General Government	5,573,774	5,573,774	5,192,418	381,356
Total Expenditures	23,965,110	23,975,110	22,902,743	1,072,367
Excess of Revenues Over Expenditures	3,520,431	4,063,063	4,779,855	716,792
Other Financing Sources (Uses)				
Interfund Loan Repayments	82,751	82,751	82,751	0
Interfund Loans	(850,000)	(850,000)	(817,559)	32,441
Transfers Out	(13,821,785)	(13,821,785)	(10,269,103)	3,552,682
Total Other Financing Sources (Uses)	(14,589,034)	(14,589,034)	(11,003,911)	3,585,123
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(11,068,603)	(10,525,971)	(6,224,056)	4,301,915
Fund Balance Beginning of Year	31,239,682	31,239,682	31,239,682	0
Prior Year Encumbrances Appropriated	474,344	474,344	474,344	0
Fund Balance End of Year	\$20,645,423	\$21,188,055	\$25,489,970	\$4,301,915

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,340,586	\$2,592,665	\$3,064,619	\$471,954
Special Assessments	1,290,737	800,000	370,838	(429,162)
Intergovernmental	256,797	256,797	256,797	0
Fees, Licenses and Permits	161,342	100,000	90,944	(9,056)
<i>Total Revenues</i>	<u>6,049,462</u>	<u>3,749,462</u>	<u>3,783,198</u>	<u>33,736</u>
Expenditures				
Current:				
General Government				
Legislative and Executive				
Contractual Services	15,566	15,566	15,566	0
Other	94,934	94,934	0	94,934
Total Legislative and Executive	<u>110,500</u>	<u>110,500</u>	<u>15,566</u>	<u>94,934</u>
Debt Service:				
Principal Retirement	6,000,000	8,611,151	8,611,151	0
Interest and Fiscal Charges	1,550,000	1,538,849	1,406,925	131,924
Total Debt Service	<u>7,550,000</u>	<u>10,150,000</u>	<u>10,018,076</u>	<u>131,924</u>
<i>Total Expenditures</i>	<u>7,660,500</u>	<u>10,260,500</u>	<u>10,033,642</u>	<u>226,858</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,611,038)</u>	<u>(6,511,038)</u>	<u>(6,250,444)</u>	<u>260,594</u>
Other Financing Sources				
General Obligation Notes Issued	0	7,000,000	6,049,200	(950,800)
Transfers In	500,000	500,000	500,000	0
Total Other Financing Sources	<u>500,000</u>	<u>7,500,000</u>	<u>6,549,200</u>	<u>(950,800)</u>
<i>Net Change in Fund Balance</i>	<u>(1,111,038)</u>	<u>988,962</u>	<u>298,756</u>	<u>(690,206)</u>
<i>Fund Balance Beginning of Year</i>	<u>1,999,919</u>	<u>1,999,919</u>	<u>1,999,919</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$888,881</u>	<u>\$2,988,881</u>	<u>\$2,298,675</u>	<u>(\$690,206)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Municipal Income Taxes	\$6,599,726	\$6,599,726	\$6,575,000	(\$24,726)
Intergovernmental	5,000,000	0	904,595	904,595
Miscellaneous	0	0	275,000	275,000
<i>Total Revenues</i>	<u>11,599,726</u>	<u>6,599,726</u>	<u>7,754,595</u>	<u>1,154,869</u>
Expenditures				
Capital Outlay	20,666,721	18,024,495	8,921,871	9,102,624
Debt Service:				
Principal Retirement	60,650	60,650	60,648	2
<i>Total Expenditures</i>	<u>20,727,371</u>	<u>18,085,145</u>	<u>8,982,519</u>	<u>9,102,626</u>
<i>Excess of Revenues Under Expenditures</i>	(9,127,645)	(11,485,419)	(1,227,924)	10,257,495
Other Financing Sources				
OWDA Loans Issued	0	0	1,268,815	(1,268,815)
<i>Excess of Revenues Over (Under)</i> <i>Expenditures and Other Financing Sources</i>	(9,127,645)	(11,485,419)	40,891	11,526,310
<i>Fund Balance Beginning of Year</i>	9,459,353	9,459,353	9,459,353	0
Prior Year Encumbrances Appropriated	2,754,430	2,754,430	2,754,430	0
<i>Fund Balance End of Year</i>	<u>\$3,086,138</u>	<u>\$728,364</u>	<u>\$12,254,674</u>	<u>\$11,526,310</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures				
Capital Outlay	12,619,437	12,619,437	7,127,790	5,491,647
Debt Service:				
Principal Retirement	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
<i>Total Expenditures</i>	<u>13,619,437</u>	<u>13,619,437</u>	<u>8,127,790</u>	<u>5,491,647</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(13,619,437)</u>	<u>(13,619,437)</u>	<u>(8,127,790)</u>	<u>5,491,647</u>
Other Financing Sources				
General Obligation Notes Issued	1,000,000	1,000,000	1,000,000	0
Transfers In	<u>6,084,000</u>	<u>6,084,000</u>	<u>6,000,000</u>	<u>(84,000)</u>
<i>Total Other Financing Sources</i>	<u>7,084,000</u>	<u>7,084,000</u>	<u>7,000,000</u>	<u>(84,000)</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	<u>(6,535,437)</u>	<u>(6,535,437)</u>	<u>(1,127,790)</u>	<u>5,407,647</u>
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>(4,618,325)</u>	<u>(4,618,325)</u>	<u>(4,618,325)</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>6,619,437</u>	<u>6,619,437</u>	<u>6,619,437</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$4,534,325)</u></u>	<u><u>(\$4,534,325)</u></u>	<u><u>\$873,322</u></u>	<u><u>\$5,407,647</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, 2003

	<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				
Capital Outlay	<u>3,068,051</u>	<u>4,568,051</u>	<u>2,549,015</u>	<u>2,019,036</u>
<i>Excess of Revenues Under Expenditures</i>	(3,068,051)	(4,568,051)	(2,549,015)	2,019,036
<i>Fund Balance Beginning of Year</i>	823,428	823,428	823,428	0
Prior Year Encumbrances Appropriated	<u>2,298,051</u>	<u>2,298,051</u>	<u>2,298,051</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$53,428</u>	<u>(\$1,446,572)</u>	<u>\$572,464</u>	<u>\$2,019,036</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, 2003

	<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	\$4,903,500	\$4,903,500	\$4,875,906	(\$27,594)
Tap-In Fees	400,000	400,000	510,313	110,313
Miscellaneous	15,900	15,900	9,638	(6,262)
<i>Total Revenues</i>	<u>5,319,400</u>	<u>5,319,400</u>	<u>5,395,857</u>	<u>76,457</u>
Expenses				
Personal Services	1,744,259	1,744,259	1,716,784	27,475
Materials and Supplies	347,853	347,853	297,927	49,926
Contractual Services	2,082,105	2,082,105	1,964,197	117,908
Other	68,000	74,000	35,958	38,042
Capital Outlay	2,411,367	2,411,367	594,625	1,816,742
Debt Service:				
Principal Retirement	1,069,700	1,069,700	1,069,321	379
Interest and Fiscal Charges	526,600	526,600	525,686	914
<i>Total Expenses</i>	<u>8,249,884</u>	<u>8,255,884</u>	<u>6,204,498</u>	<u>2,051,386</u>
<i>Excess of Revenues Under Expenses</i>	(2,930,484)	(2,936,484)	(808,641)	2,127,843
Transfers In	180,000	180,000	205,926	25,926
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(2,750,484)	(2,756,484)	(602,715)	2,153,769
<i>Fund Equity Beginning of Year</i>	7,402,980	7,402,980	7,402,980	0
Prior Year Encumbrances Appropriated	317,084	317,084	317,084	0
<i>Fund Equity End of Year</i>	<u>\$4,969,580</u>	<u>\$4,963,580</u>	<u>\$7,117,349</u>	<u>\$2,153,769</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, 2003

	<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	\$1,168,929	\$1,168,929	\$1,046,527	(\$122,402)
Rentals	246,508	246,508	232,705	(13,803)
Miscellaneous	9,300	9,300	8,100	(1,200)
<i>Total Revenues</i>	<u>1,424,737</u>	<u>1,424,737</u>	<u>1,287,332</u>	<u>(137,405)</u>
Expenses				
Personal Services	619,361	642,548	612,692	29,856
Materials and Supplies	194,846	202,111	177,810	24,301
Contractual Services	182,457	189,265	178,602	10,663
Other	330,049	342,118	265,547	76,571
Capital Outlay	1,103,351	1,128,070	840,293	287,777
Debt Service:				
Principal Retirement	82,751	82,751	82,751	0
Interest and Fiscal Charges	49,498	54,449	38,431	16,018
<i>Total Expenses</i>	<u>2,562,313</u>	<u>2,641,312</u>	<u>2,196,126</u>	<u>445,186</u>
<i>Excess of Revenues Under Expenses</i>	(1,137,576)	(1,216,575)	(908,794)	307,781
Proceeds of Interfund Loan	701,801	701,801	817,559	115,758
Transfers In	89,000	89,000	6,908	(82,092)
<i>Excess of Revenues, Operating Transfers and Loan Proceeds Under Expenses</i>	(346,775)	(425,774)	(84,327)	341,447
<i>Fund Equity (Deficit) Beginning of Year</i>	(227,782)	(227,782)	(227,782)	0
Prior Year Encumbrances Appropriated	452,100	452,100	452,100	0
<i>Fund Equity (Deficit) End of Year</i>	<u>(\$122,457)</u>	<u>(\$201,456)</u>	<u>\$139,991</u>	<u>\$341,447</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, 2003*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$625,000	\$625,000	\$674,860	\$49,860
Expenditures				
Current:				
Transportation				
Street Maintenance and Repair				
Contractual Services	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,032,159</u>	<u>17,841</u>
<i>Excess of Revenues Under Expenditures</i>	(425,000)	(425,000)	(357,299)	67,701
<i>Fund Balance Beginning of Year</i>	<u>1,101,482</u>	<u>1,101,482</u>	<u>1,101,482</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$676,482</u>	<u>\$676,482</u>	<u>\$744,183</u>	<u>\$67,701</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$50,600	\$50,600	\$53,716	\$3,116
Expenditures				
Current:				
Transportation				
State Highway				
Contractual Services	50,000	50,000	47,672	2,328
<i>Excess of Revenues Over Expenditures</i>	600	600	6,044	5,444
<i>Fund Balance Beginning of Year</i>	8,331	8,331	8,331	0
<i>Fund Balance End of Year</i>	<u>\$8,931</u>	<u>\$8,931</u>	<u>\$14,375</u>	<u>\$5,444</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$326,119	\$311,119	\$298,863	(\$12,256)
Intergovernmental	30,816	30,816	30,816	0
<i>Total Revenues</i>	356,935	341,935	329,679	(12,256)
Expenditures				
Current:				
Security of Persons and Property				
Police				
Personal Services	560,000	560,000	518,826	41,174
<i>Excess of Revenues Under Expenditures</i>	(203,065)	(218,065)	(189,147)	28,918
Other Financing Sources				
Transfers In	175,000	175,000	167,500	(7,500)
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	(28,065)	(43,065)	(21,647)	21,418
<i>Fund Balance Beginning of Year</i>	214,874	214,874	214,874	0
<i>Fund Balance End of Year</i>	<u>\$186,809</u>	<u>\$171,809</u>	<u>\$193,227</u>	<u>\$21,418</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$326,119	\$311,119	\$298,863	(\$12,256)
Intergovernmental	30,816	30,816	30,816	0
<i>Total Revenues</i>	356,935	341,935	329,679	(12,256)
Expenditures				
Current:				
Security of Persons and Property				
Fire				
Personal Services	893,000	893,000	821,490	71,510
<i>Excess of Revenues Under Expenditures</i>	(536,065)	(551,065)	(491,811)	59,254
Other Financing Sources				
Transfers In	565,000	565,000	555,000	(10,000)
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	28,935	13,935	63,189	49,254
<i>Fund Balance Beginning of Year</i>	174,351	174,351	174,351	0
<i>Fund Balance End of Year</i>	<u>\$203,286</u>	<u>\$188,286</u>	<u>\$237,540</u>	<u>\$49,254</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, 2003

	<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	\$191,000	\$191,000	\$195,055	\$4,055
Miscellaneous	<u>0</u>	<u>0</u>	<u>7,500</u>	<u>7,500</u>
<i>Total Revenues</i>	<u>191,000</u>	<u>191,000</u>	<u>202,555</u>	<u>11,555</u>
Expenditures				
Current:				
Leisure Time Activities				
Cable TV				
Personal Services	9,897	9,897	5,738	4,159
Materials and Supplies	13,446	13,446	5,733	7,713
Contractual Services	32,044	32,044	16,876	15,168
Capital Outlay	50,000	50,000	10,395	39,605
Other	<u>90,000</u>	<u>90,000</u>	<u>87,775</u>	<u>2,225</u>
<i>Total Expenditures</i>	<u>195,387</u>	<u>195,387</u>	<u>126,517</u>	<u>68,870</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,387)	(4,387)	76,038	80,425
Other Financing Sources				
Transfers In	<u>6,000</u>	<u>6,000</u>	<u>11,944</u>	<u>5,944</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	1,613	1,613	87,982	86,369
<i>Fund Balance Beginning of Year</i>	337,336	337,336	337,336	0
Prior Year Encumbrances Appropriated	<u>8,290</u>	<u>8,290</u>	<u>8,290</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$347,239</u>	<u>\$347,239</u>	<u>\$433,608</u>	<u>\$86,369</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, 2003

	<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	\$14,030	(5,970)
Expenditures				
Current:				
General Government				
Tree Planting				
Contractual Services	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(5,000)	(5,000)	14,030	19,030
<i>Fund Balance Beginning of Year</i>	<u>186,326</u>	<u>186,326</u>	<u>186,326</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$181,326</u></u>	<u><u>\$181,326</u></u>	<u><u>\$200,356</u></u>	<u><u>\$19,030</u></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, 2003

	<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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	\$1,798,650	\$1,798,650	\$1,643,489	(\$155,161)
Miscellaneous	3,500	3,500	2,443	(1,057)
<i>Total Revenues</i>	<u>1,802,150</u>	<u>1,802,150</u>	<u>1,645,932</u>	<u>(156,218)</u>
Expenditures				
Current:				
Leisure Time Activities				
Administration				
Personal Services	479,043	495,737	495,737	0
Materials and Supplies	62,000	62,000	58,560	3,440
Contractual Services	13,231	26,132	26,132	0
Capital Outlay	15,000	15,000	0	15,000
Other	7,500	77,204	77,204	0
Total Administration	<u>576,774</u>	<u>676,073</u>	<u>657,633</u>	<u>18,440</u>
Recreation Programs				
Personal Services	130,500	145,762	145,762	0
Materials and Supplies	42,000	45,360	45,360	0
Contractual Services	95,036	95,499	95,499	0
Capital Outlay	15,000	30,591	30,591	0
Other	18,500	21,020	21,020	0
Total Recreation Programs	<u>301,036</u>	<u>338,232</u>	<u>338,232</u>	<u>0</u>
Swimming Pools				
Personal Services	176,500	251,899	251,899	0
Materials and Supplies	28,201	28,201	24,357	3,844
Contractual Services	57,699	57,699	53,798	3,901
Other	1,750	1,750	212	1,538
Total Swimming Pools	<u>264,150</u>	<u>339,549</u>	<u>330,266</u>	<u>9,283</u>
Community Parks				
Personal Services	199,500	247,315	247,315	0
Materials and Supplies	144,411	163,603	163,603	0
Contractual Services	52,043	60,310	60,310	0
Total Community Parks	<u>\$395,954</u>	<u>\$471,228</u>	<u>\$471,228</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Concession Stand				
Personal Services	\$11,500	\$23,601	\$23,601	\$0
Materials and Supplies	<u>26,000</u>	<u>26,999</u>	<u>26,999</u>	<u>0</u>
Total Concession Stand	<u>37,500</u>	<u>50,600</u>	<u>50,600</u>	<u>0</u>
Youth Recreation Programs				
Personal Services	241,500	252,195	252,195	0
Materials and Supplies	144,500	144,500	118,441	26,059
Contractual Services	<u>245,775</u>	<u>293,958</u>	<u>293,958</u>	<u>0</u>
Total Youth Recreation Programs	<u>631,775</u>	<u>690,653</u>	<u>664,594</u>	<u>26,059</u>
Adult Recreation Programs				
Materials and Supplies	7,741	7,741	7,654	87
Contractual Services	<u>15,300</u>	<u>15,300</u>	<u>10,870</u>	<u>4,430</u>
Total Adult Recreation Programs	<u>23,041</u>	<u>23,041</u>	<u>18,524</u>	<u>4,517</u>
Holiday Programs				
Materials and Supplies	14,554	22,493	22,493	0
Contractual Services	<u>37,000</u>	<u>37,000</u>	<u>34,054</u>	<u>2,946</u>
Total Holiday Programs	<u>51,554</u>	<u>59,493</u>	<u>56,547</u>	<u>2,946</u>
Community Center				
Personal Services	493,350	178,143	163,646	14,497
Materials and Supplies	75,500	75,500	74,784	716
Contractual Services	297,800	245,922	243,966	1,956
Capital Outlay	13,000	13,000	11,100	1,900
Other	<u>6,500</u>	<u>6,500</u>	<u>4,480</u>	<u>2,020</u>
Total Community Center	<u>886,150</u>	<u>519,065</u>	<u>497,976</u>	<u>21,089</u>
<i>Total Expenditures</i>	<u>3,167,934</u>	<u>3,167,934</u>	<u>3,085,600</u>	<u>82,334</u>
<i>Excess of Revenues Under Expenditures</i>	(1,365,784)	(1,365,784)	(1,439,668)	(73,884)
Other Financing Sources				
Transfers In	<u>1,270,000</u>	<u>1,270,000</u>	<u>1,270,000</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	(95,784)	(95,784)	(169,668)	(73,884)
<i>Fund Balance Beginning of Year</i>	173,806	173,806	173,806	0
Prior Year Encumbrances Appropriated	<u>28,891</u>	<u>28,891</u>	<u>28,891</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$106,913</u>	<u>\$106,913</u>	<u>\$33,029</u>	<u>(\$73,884)</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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Rentals	\$26,278	\$28,000	\$8,397	(\$19,603)
Charges for Services	365,593	389,551	292,481	(97,070)
Contributions and Donations	37,071	39,500	23,962	(15,538)
Miscellaneous	28,859	30,750	47,778	17,028
<i>Total Revenues</i>	<u>457,801</u>	<u>487,801</u>	<u>372,618</u>	<u>(115,183)</u>
Expenditures				
Current:				
Leisure Time Activities				
Administration				
Personal Services	307,268	321,991	321,991	0
Materials and Supplies	18,269	19,144	19,144	0
Contractual Services	81,469	85,341	85,341	0
Total Administration	<u>407,006</u>	<u>426,476</u>	<u>426,476</u>	<u>0</u>
Senior Programs				
Personal Services	235,267	246,540	246,540	0
Materials and Supplies	122,663	128,515	123,154	5,361
Contractual Services	231,093	242,166	193,440	48,726
Capital Outlay	11,604	12,160	9,115	3,045
Other	13,098	13,726	13,525	201
Total Senior Programs	<u>613,725</u>	<u>643,107</u>	<u>585,774</u>	<u>57,333</u>
Miscellaneous				
Materials and Supplies	40,012	41,790	21,000	20,790
Contractual Services	69,067	72,074	50,576	21,498
Total Miscellaneous	<u>109,079</u>	<u>113,864</u>	<u>71,576</u>	<u>42,288</u>
<i>Total Expenditures</i>	<u>1,129,810</u>	<u>1,183,447</u>	<u>1,083,826</u>	<u>99,621</u>
<i>Excess of Revenues Under Expenditures</i>	(672,009)	(695,646)	(711,208)	(15,562)
Other Financing Sources				
Transfers In	610,000	610,000	610,000	0
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	(62,009)	(85,646)	(101,208)	(15,562)
<i>Fund Balance Beginning of Year</i>	142,870	142,870	142,870	0
Prior Year Encumbrances Appropriated	10,414	10,414	10,414	0
<i>Fund Balance End of Year</i>	<u>\$91,275</u>	<u>\$67,638</u>	<u>\$52,076</u>	<u>(\$15,562)</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, 2003

	<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	\$17,000	\$17,000	\$16,013	(987)
Expenditures				
Current:				
Security of Persons and Property				
DARE program				
Materials and Supplies	30,000	30,000	12,237	17,763
Transfer of Prisoners				
Materials and Supplies	100,000	100,000	0	100,000
<i>Total Expenditures</i>	<u>130,000</u>	<u>130,000</u>	<u>12,237</u>	<u>117,763</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(113,000)	(113,000)	3,776	116,776
<i>Fund Balance Beginning of Year</i>	<u>169,313</u>	<u>169,313</u>	<u>169,313</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$56,313</u>	<u>\$56,313</u>	<u>\$173,089</u>	<u>\$116,776</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, 2003

	<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	\$8,000	\$8,000	\$4,914	(\$3,086)
Expenditures				
Current:				
Basic Utility Services				
Landfill Improvement				
Materials and Supplies	<u>502,293</u>	<u>502,293</u>	<u>62,628</u>	<u>439,665</u>
<i>Excess of Revenues Under Expenditures</i>	(494,293)	(494,293)	(57,714)	436,579
Other Financing Sources				
Operating Transfers In	<u>20,000</u>	<u>20,000</u>	<u>41,825</u>	<u>21,825</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	(474,293)	(474,293)	(15,889)	458,404
<i>Fund Balance Beginning of Year</i>	1,379,042	1,379,042	1,379,042	0
Prior Year Encumbrances Appropriated	<u>2,293</u>	<u>2,293</u>	<u>2,293</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$907,042</u></u>	<u><u>\$907,042</u></u>	<u><u>\$1,365,446</u></u>	<u><u>\$458,404</u></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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$13,000	\$13,000	\$31,921	\$18,921
Expenditures				
Current:				
Security of Persons and Property				
Drug Money				
Materials and Supplies	43,745	43,745	21,618	22,127
OMVI				
Personal Services				
Materials and Supplies	8,513	8,513	8,513	0
	13,012	13,012	2,869	10,143
Total OMVI	21,525	21,525	11,382	10,143
Immobilization				
Materials and Supplies	1,050	1,050	0	1,050
Miscellaneous				
Materials and Supplies	4,200	4,200	419	3,781
<i>Total Expenditures</i>	70,520	70,520	33,419	37,101
<i>Excess of Revenues Under Expenditures</i>	(57,520)	(57,520)	(1,498)	56,022
<i>Fund Balance Beginning of Year</i>	57,520	57,520	57,520	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$56,022	\$56,022

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, 2003

	<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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,000</u></u>	<u><u>\$4,000</u></u>	<u><u>\$4,000</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
 Cemetery Endowment Trust Fund
 For the Year Ended December 31, 2003*

	<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	<u>5,250</u>	<u>5,250</u>	<u>54</u>	<u>5,196</u>
<i>Excess of Revenues Under Expenditures</i>	(5,250)	(5,250)	(54)	5,196
<i>Fund Balance Beginning of Year</i>	<u>5,555</u>	<u>5,555</u>	<u>5,555</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$305</u></u>	<u><u>\$305</u></u>	<u><u>\$5,501</u></u>	<u><u>\$5,196</u></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, 2003*

	<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	<u>\$21,500</u>	<u>\$21,500</u>	<u>\$7,986</u>	<u>(\$13,514)</u>
Expenditures				
Current:				
Security of Persons and Property				
Police				
Materials and Supplies	<u>3,150</u>	<u>3,150</u>	<u>858</u>	<u>2,292</u>
Leisure Time Activities				
Senior Services Donations				
Other	<u>20,411</u>	<u>20,411</u>	<u>12,788</u>	<u>7,623</u>
Community Park Donations				
Other	<u>4,200</u>	<u>4,200</u>	<u>0</u>	<u>4,200</u>
Total Leisure Time Activities	<u>24,611</u>	<u>24,611</u>	<u>12,788</u>	<u>11,823</u>
Community Environment				
Blue Herron Donations				
Other	<u>49,350</u>	<u>49,350</u>	<u>16,844</u>	<u>32,506</u>
Beautification Donations				
Other	<u>3,150</u>	<u>3,150</u>	<u>3,008</u>	<u>142</u>
Total Community Environment	<u>52,500</u>	<u>52,500</u>	<u>19,852</u>	<u>32,648</u>
General Government				
Special Donations				
Other	<u>7,150</u>	<u>7,150</u>	<u>3,700</u>	<u>3,450</u>
<i>Total Expenditures</i>	<u>87,411</u>	<u>87,411</u>	<u>37,198</u>	<u>50,213</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(65,911)</u>	<u>(65,911)</u>	<u>(29,212)</u>	<u>36,699</u>
<i>Fund Balance Beginning of Year</i>	<u>81,495</u>	<u>81,495</u>	<u>81,495</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>2,561</u>	<u>2,561</u>	<u>2,561</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$18,145</u>	<u>\$18,145</u>	<u>\$54,844</u>	<u>\$36,699</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$450,976	\$450,976	\$432,110	(\$18,866)
Intergovernmental	42,506	42,506	42,506	0
Miscellaneous	0	0	15,227	15,227
<i>Total Revenues</i>	493,482	493,482	489,843	(3,639)
Expenditures				
Capital Outlay	2,379,192	2,379,192	1,955,268	423,924
<i>Excess of Revenues Under Expenditures</i>	(1,885,710)	(1,885,710)	(1,465,425)	420,285
Other Financing Sources				
Transfers In	900,000	900,000	900,000	0
<i>Excess of Revenues and Other Financing Sources Under Expenditures</i>	(985,710)	(985,710)	(565,425)	420,285
<i>Fund Balance (Deficit) Beginning of Year</i>	(114,767)	(114,767)	(114,767)	0
Prior Year Encumbrances Appropriated	1,135,192	1,135,192	1,135,192	0
<i>Fund Balance End of Year</i>	<u>\$34,715</u>	<u>\$34,715</u>	<u>\$455,000</u>	<u>\$420,285</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, 2003

	<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>101,076</u>	<u>101,076</u>	<u>39,925</u>	<u>61,151</u>
<i>Excess of Revenues Under Expenditures</i>	(101,076)	(101,076)	(19,925)	81,151
<i>Fund Balance Beginning of Year</i>	174,037	174,037	174,037	0
Prior Year Encumbrances Appropriated	<u>1,076</u>	<u>1,076</u>	<u>1,076</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$74,037</u></u>	<u><u>\$74,037</u></u>	<u><u>\$155,188</u></u>	<u><u>\$81,151</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, 2003

	<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	\$29,901	\$29,901
Expenditures				
Capital Outlay	<u>3,363,107</u>	<u>3,363,107</u>	<u>1,301,902</u>	<u>2,061,205</u>
<i>Excess of Revenues Under Expenditures</i>	(3,363,107)	(3,363,107)	(1,272,001)	2,091,106
<i>Fund Balance Beginning of Year</i>	3,219,687	3,219,687	3,219,687	0
Prior Year Encumbrances Appropriated	<u>163,107</u>	<u>163,107</u>	<u>163,107</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$19,687</u></u>	<u><u>\$19,687</u></u>	<u><u>\$2,110,793</u></u>	<u><u>\$2,091,106</u></u>

Statistical Section

The following statistical tables reflect social and economic data, financial trends and fiscal capacity of the City.

City of Solon, Ohio
*General Governmental Revenues by Source
and Expenditures by Function (1)(2)
Last Ten Years*

	2003	2002	2001	2000
Revenues				
Property Taxes	\$4,824,148	\$4,370,359	\$3,842,118	\$3,864,543
Municipal Income Taxes	28,383,580	27,795,091	27,350,350	28,948,547
Other Local Taxes	554,281	643,448	569,811	422,268
Special Assessments	370,838	820,074	707,859	958,092
Intergovernmental	2,982,296	6,670,848	2,964,830	3,059,750
Investment Income	1,298,459	3,174,847	3,820,232	3,808,423
Fees, Licenses and Permits	1,040,886	900,926	1,184,015	670,334
Fines and Forfeitures	282,640	286,901	325,416	347,191
Rentals	8,397	0	0	0
Charges for Services	2,725,537	1,864,193	1,440,499	1,119,423
Contributions and Donations	67,961	0	0	0
Miscellaneous	401,395	224,486	595,535	622,888
Total	\$42,940,418	\$46,751,173	\$42,800,665	\$43,821,459
Expenditures				
Current				
Security of Persons and Property (3)		\$10,806,817	\$10,200,788	\$8,595,528
Police	\$6,014,057	N/A	N/A	N/A
Fire	5,401,761	N/A	N/A	N/A
Prosecutor	299,984	N/A	N/A	N/A
Public Health and Welfare	105,461	105,158	104,022	94,139
Leisure Time Activities	4,276,719	3,255,583	2,743,713	2,320,317
Community Environment	2,084,024	1,708,408	1,613,073	1,763,591
Basic Utility Services	1,525,655	1,467,022	1,314,350	1,286,482
Transportation	4,318,184	4,076,610	3,682,611	3,257,355
General Government	5,330,364	4,920,313	4,807,963	4,365,173
Capital Outlay	16,768,406	25,394,387	13,622,807	10,336,925
Debt Service	3,579,335	6,040,891	9,532,154	11,509,894
Total	\$49,703,950	\$57,775,189	\$47,621,481	\$43,529,404

Source: City financial records

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

(2) Information is based on modified accrual. Information for full accrual will be presented when there are enough years of information to make comparisons.

(3) 2003 was the first year subcategories were identified for security of persons and property.

1999	1998	1997	1996	1995	1994
\$5,538,206	\$2,802,463	\$3,770,759	\$4,005,215	\$3,354,993	\$2,768,236
26,143,337	24,999,541	23,408,703	22,718,834	21,371,321	19,812,066
211,927	231,958	171,476	0	0	0
830,806	421,000	1,360,000	1,035,551	1,068,341	989,150
1,762,816	1,748,824	1,758,064	2,909,185	1,550,350	2,350,761
2,146,285	2,366,471	2,044,588	1,905,410	1,801,877	1,034,113
757,324	657,766	543,291	205,324	276,380	294,869
304,039	388,465	291,555	229,765	287,504	251,888
0	0	0	0	0	0
1,048,265	845,203	811,834	1,242,321	1,081,066	683,287
0	0	0	0	0	0
322,814	1,375,367	603,313	614,060	273,653	414,628
<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>	<u>\$28,598,998</u>
\$8,763,352	\$8,104,363	\$7,899,219	\$7,177,950	\$6,686,589	\$6,174,925
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
51,024	86,095	65,684	84,872	79,673	66,350
2,097,835	1,928,041	1,885,838	1,682,124	1,739,239	1,519,132
899,354	776,957	1,059,817	691,742	759,014	656,608
1,398,880	1,731,731	2,002,968	2,920,778	971,010	2,084,221
3,959,277	2,990,029	3,966,886	4,773,687	3,577,090	3,353,955
6,001,325	4,967,094	4,719,791	4,694,209	4,026,278	4,486,752
7,188,569	6,044,446	8,244,986	4,142,936	11,869,733	9,350,641
3,298,487	3,097,684	3,127,795	2,815,457	2,835,261	3,183,582
<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>	<u>\$30,876,166</u>

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

Year	Total Tax Levy	Current Tax Collections	Percentage of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
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
1994	2,289,042	2,167,747	94.70	38,367	2,206,114

Source: Cuyahoga County Auditor

<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
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	84,409	2.64
95.29	84,326	2.82
96.10	77,114	2.94
97.29	63,602	2.51
96.38	61,781	2.70

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)
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
1994	546,884,860	1,562,528,171	29,651,420	33,694,795

Source: Cuyahoga County Auditor

(1) This amount is calculated by dividing the assessed value by the assessment percentage. The percentages for 2003 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
\$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
189,804,338	759,217,352	766,340,618	2,355,440,318	32.53

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
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
1994	348,252,840	95,644,510	102,893,780	93,730	546,884,860

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
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
1994	0.42	0.30	0.30	2.48	0.50	4.00	55.20	16.80	76.00

(1) Solon City School District

Source: Cuyahoga County Auditor

City of Solon, Ohio
Principal Real Property Taxpayers
 December 31, 2003

Taxpayer	Assessed Valuation	Percent of Total Assessed Value of Real Property	Percent of Total Assessed Value
Stouffer Corporation	\$12,735,050	1.41%	1.12%
Cleveland Electric Illuminating Company	12,144,620	1.35	1.07
Duke Realty LTD Partnership	11,151,790	1.24	0.98
Crawford Fitting Company	9,406,600	1.04	0.83
GS II Uptown Solon LLC	6,140,410	0.68	0.54
Ohio Bell Telephone Company	5,391,030	0.60	0.47
Course 43 LTD	5,370,290	0.60	0.47
Permatex, Incorporated	4,403,070	0.49	0.39
Kennametal, Incorporated	4,084,160	0.45	0.35
Midamco	3,972,500	0.44	0.34
Total	<u>\$74,799,520</u>	<u>8.30%</u>	<u>6.56%</u>
Total Assessed Value of Real Property	<u>\$901,714,670</u>	<u>100.00%</u>	<u>79.11%</u>
Total Assessed Value	<u>\$1,139,784,898</u>		<u>100.00%</u>

Source: Cuyahoga County

City of Solon, Ohio
Principal Personal Property Taxpayers
 December 31, 2003

Taxpayer	Assessed Valuation	Percent of Total Assessed Value of Personal Property	Percent of Total Assessed Value
Swagelok Company	\$28,660,100	13.15%	2.51%
Nestle USA Food Group, Incorporated	14,781,040	6.78	1.30
L'Oreal USA Sales, Incorporated	9,477,080	4.35	0.83
Jefferson Smurfit Corporation	6,581,720	3.02	0.58
Erico Products, Incorporated	6,032,190	2.77	0.53
Pioneer Standard Electronics	5,616,470	2.58	0.49
Permatex, Incorporated	5,201,104	2.39	0.46
Keithley Instruments, Incorporated	4,796,800	2.20	0.42
Kennametal, Incorporated	4,239,460	1.94	0.37
Venture Lighting, Incorporated	3,373,410	1.54	0.30
Total	<u>\$88,759,374</u>	<u>40.72%</u>	<u>7.79%</u>
Total Assessed Value of Personal Property	<u>\$217,973,828</u>	<u>100.00%</u>	<u>19.12%</u>
Total Assessed Value	<u>\$1,139,784,898</u>		<u>100.00%</u>

Source: Cuyahoga County

City of Solon, Ohio
Ten Largest City Income Tax Withholding Accounts
 December 31, 2003

	<u>Employee Withholding</u>	<u>Percentage of Total</u>
Swagelok Company	\$1,946,373	8.69%
Nestle' Beverage Services	1,511,024	6.75
Solon Board of Education	683,688	3.05
Keithley Instruments, Incorporated	611,350	2.73
Agilysys, Incorporated	543,494	2.43
Erico Products, Incorporated	491,428	2.20
Kennametal, Incorporated	364,020	1.63
City of Solon	337,577	1.51
Datavantage Corporation	309,675	1.39
L'Oreal USA Products, Incorporated	<u>307,043</u>	<u>1.38</u>
Total	7,105,672	31.75
Other Withholding Accounts	<u>15,276,230</u>	<u>68.25</u>
Total Withholding Collected	<u><u>\$22,381,902</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)
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
1994	855,551	830,774	97.10	24,777

(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
2003	21,802 (a)	\$1,139,784,898	\$20,835,000	\$2,298,675
2002	21,802 (a)	1,120,768,635	22,570,000	1,995,644
2001	21,802 (a)	1,111,915,474	12,185,000	2,989,743
2000	21,802 (a)	980,808,092	13,325,000	3,097,125
1999	18,548 (b)	952,134,413	14,420,000	2,349,700
1998	18,548 (b)	921,361,539	15,495,000	1,810,818
1997	18,548 (b)	870,595,414	16,515,000	1,251,974
1996	18,548 (b)	863,798,581	17,475,000	959,254
1995	18,548 (b)	833,036,748	14,680,000	486,240
1994	18,548 (b)	766,340,618	12,725,000	67,561

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

(2) Source: Cuyahoga County Auditor

(3) Includes all general obligation bonds

Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
\$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
12,657,439	1.65	682.42

City of Solon, Ohio
Computation of Legal Debt Margin
December 31, 2003

Assessed Valuation		<u>\$1,139,784,898</u>
Overall Debt Limitation		
10.5% of Assessed Valuation		\$119,677,414
Gross Indebtedness		
General Obligation Bonds	\$20,835,000	
Special Assessment Bonds	898,350	
OWDA Loans	22,115,948	
OPWC Loans	654,095	
Notes	<u>7,000,000</u>	
Total Gross Indebtedness	<u>51,503,393</u>	
Exemptions:		
Special Assessment Bonds	898,350	
OWDA Loans	<u>22,115,948</u>	
Total Exemptions	<u>23,014,298</u>	
Debt Within 10.5% Limitation	28,489,095	
Less: Amount Available in Debt Service Fund	<u>2,298,675</u>	
Net Debt Within 10.5% Limitation		<u>26,190,420</u>
Legal Debt Margin Within 10.5% Limitation		<u>\$93,486,994</u>
<hr/>		
Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$62,688,169
Gross indebtedness authorized by Council	\$51,503,393	
Less Debt Outside Limitation:		
Special Assessment Bonds	898,350	
OWDA Loans	<u>22,115,948</u>	
Total Debt Outside Limitation	<u>23,014,298</u>	
Debt Within 5.5% Limitation	28,489,095	
Less: Amount Available in Debt Service Fund	<u>2,298,675</u>	
Net Debt Within 5.5% Limitation		<u>26,190,420</u>
Legal Debt Margin Within 5.5% Limitation		<u>\$36,497,749</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>
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	29,729,440	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
1994	695,197	996,986	1,692,183	30,876,166	5.48

(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, 2003

<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>\$27,835,000</u>	<u>100.00%</u>	<u>\$27,835,000</u>
Overlapping:			
Solon City School District	25,449,962	100.00	25,449,962
Cuyahoga County (2)	183,239,636	3.90	7,146,346
Regional Transit Authority	<u>130,795,000</u>	3.90	<u>5,101,005</u>
Total Overlapping	<u>339,484,598</u>		<u>37,697,313</u>
Totals	<u>\$367,319,598</u>		<u>\$65,532,313</u>

(1) The debt outstanding includes general obligation bond 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 Eight Years*

Year	Total Debt	Debt per Capita (1)	Percent of Assessed Valuation	Debt per Capita as a Percent of Personal Income per Capita (2)
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	2,109.41	4.69	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
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
1994	3,088,601	2,313,118	775,483

(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

<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$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
122,839	169,691	292,530	2.65

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

	2003	2002	2001
Indebtedness:			
General Obligation Bonds			
Sewer Plant Construction	\$0	\$0	\$0
Grantwood Park Improvements	0	0	55,000
Central Wastewater	0	0	150,000
Sewer System Improvements	0	0	0
Land Acquisition	0	0	0
New City Hall Construction	4,545,000	4,885,000	5,205,000
LTGO Refunding	2,495,000	3,055,000	3,585,000
Library Building	2,920,000	3,060,000	3,190,000
Community Center and Kruse Dr.	10,875,000	11,570,000	0
Special Assesment Bonds			
Cochran/Solon Road	0	0	0
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	210,000	315,000	420,000
Parkland Westview Improvements	0	0	0
Various Street Improvements	0	0	0
County Issued Miles Sewer	688,350	745,714	791,604
Various Purpose Improvements	0	0	2,920,000
Loans from State Agencies			
<i>Enterprise Fund Loans</i>			
OWDA 190SRF - WWTP Expansion	12,732,878	13,600,420	14,024,397
OWDA 181SRF - N. E. Pump Station	2,067,773	2,226,012	2,304,666
OWDA 896032 - WWTP (1970)	204,451	225,307	235,421
OWDA 190SRFS - WWTP Expansion	283,329	301,987	311,073
<i>General Long-Term Debt Loans</i>			
OWDA 181SRF - Creekside Pump Station	1,497,353	1,619,144	1,676,101
OPWC CA514 - Solon/Baldwin/Huntington Sanitary Sewers	523,762	571,377	642,799
OWDA 332SRF - Aurora/Liberty Sanitary Sewer	922,713	1,217,572	1,217,572
OPWC - Solon/Cochran Intersection	130,333	143,367	162,917
OWDA - Aurora Road West Sanitary Sewer	4,407,451	3,138,636	0
Capital Leases	0	0	0
General Obligation Bond Anticipation Notes			
Kruse Drive	0	0	2,300,000
Municipal Service Center Improvement	0	0	2,000,000
Community Center	2,000,000	5,000,000	5,000,000
Building Construction	5,000,000	2,500,000	0
Total	\$51,503,393	\$54,174,536	\$46,191,550

2000	1999	1998	1997	1996	1995	1994
\$0	\$0	\$0	\$0	\$0	\$35,000	\$70,000
110,000	165,000	220,000	275,000	330,000	385,000	440,000
300,000	450,000	600,000	750,000	900,000	1,050,000	1,200,000
0	0	0	0	0	0	3,605,000
0	0	0	0	0	0	300,000
5,510,000	5,805,000	6,085,000	6,355,000	6,615,000	6,865,000	7,110,000
4,090,000	4,570,000	5,050,000	5,495,000	5,930,000	6,345,000	0
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	0	9,000
0	0	0	0	0	11,000	22,000
0	0	0	0	35,000	70,000	105,000
0	0	35,000	70,000	105,000	140,000	175,000
0	17,000	34,000	51,000	68,000	85,000	102,000
0	40,000	80,000	120,000	160,000	200,000	240,000
525,000	630,000	735,000	840,000	945,000	1,050,000	1,155,000
0	0	0	0	0	0	2,180,000
0	0	0	0	0	0	3,060,000
791,604	876,500	876,500	915,506	952,217	986,635	1,021,053
3,110,000	3,290,000	3,460,000	3,625,000	3,790,000	3,940,000	4,085,000
14,853,402	16,050,942	16,819,717	17,565,644	18,289,248	18,991,492	7,423,667
2,457,043	2,673,790	2,810,792	2,942,087	3,067,914	3,188,149	3,304,064
254,459	280,809	297,177	312,582	327,081	340,728	353,571
328,774	354,189	370,404	416,995	432,500	0	0
1,786,443	1,943,398	2,042,606	2,137,682	2,228,798	2,316,470	2,399,803
666,606	714,221	761,836	809,451	857,066	928,490	0
1,246,608	1,330,213	1,383,149	1,433,950	1,482,702	0	0
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	3,677
2,475,000	2,425,000	2,285,000	0	0	0	0
4,000,000	6,000,000	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<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>	<u>\$38,363,835</u>

City of Solon, Ohio
Demographic Statistics
 December 31, 2003

Population Data

<u>Year</u>	<u>Population</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>	<u>County Population</u>	<u>State Population</u>
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

Miscellaneous Population Information

<u>Age</u>	<u>Number</u>	<u>Percent of Total</u>
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%

<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, 2003

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	
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	980,808,092	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
1994	766,340,618	780	68,880,856	20,885,453

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 Key Bank National Association.

City of Solon, Ohio
Miscellaneous Statistical Data
 December 31, 2003

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)	530 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 9 full-time, 3 part-time 12 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:	\$1,139,784,898	2003
Number of Dwellings:	Total units (including multi-family) Single family home average value	8,362 (Solon Planning Department) \$221,427 in 2003 (County Auditor)
Banks:	Branches	12
Churches:	Total	11
Buildings:	Permits issued in 2003 Valuation	902 \$72,715,377
Industry:	Number of business units	2,662
Railroads:	Wheeling and Lake Erie Norfolk Southern	1 1
Bus Lines:	RTA (Regional Transit Authority)	3 routes
Medical:	Hospitals within 15 miles Emergency Care facility in Solon	10 1

(continued)

City of Solon, Ohio
Miscellaneous Statistical Data (continued)
 December 31, 2003

Education:	Total school enrollment	5,156 (September 2003)
	Average SAT score - Verbal	535 (2000-2001)
	Average SAT score - Math	557 (2000-2001)
	Parochial schools within 20 miles	25 (1998)
	Private schools within 20 miles	8 (1998)
	Major Colleges and Universities within 50 miles	21 (2003)
	Technical and Vocational Schools in the region	39 (2000)
Libraries:	Public Libraries	1
	Volumes available, Audio/Visual, Periodicals	120,857 total items
Newspapers:	Daily	1 - Cleveland Plain Dealer
	Weekly	2 - Solon Times and Solon Herald Sun
Lodging:	Hotel/Motel	5
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 6 unlit courts in 2003)
	Baseball fields	11
	Playgrounds	6 (adding 1 in 2003)
	Skateboard park	1
	Basketball courts	3 1/2
	Sand volleyball courts	3
	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	155
	Number of treatment plants	1
	Number of lift/pump stations	22
	Number of service connections	6,900 residential; 291 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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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
SEPTEMBER 9, 2004**