



**Auditor of State
Betty Montgomery**

CITY OF SOLON
CUYAHOGA COUNTY

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Auditor of State Betty Montgomery

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solon, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 12, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated June 12, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

June 12, 2006

City of Solon, Ohio

Comprehensive Annual Financial Report

For the Year Ended December 31, 2005

*Prepared by the Department of
Finance*

*D. William Weber, CPA
Director of Finance*

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

CITY HALL

34200 Bainbridge Road
Solon, OH 44139-2955
Phone: (440) 248-1155
Fax: (440) 349-6322

Opinion Letter Date

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

I am pleased to submit to you our 2005 Comprehensive Annual Financial Report (CAFR) for the City of Solon. I believe this report, prepared by the Department of Finance, presents thorough operating and financial information about the City's activities during 2005 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 non-major funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. *The Statistical Section* includes scheduled financial and demographic information, presented on a ten year basis.

REPORTING ENTITY

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

The form of government established by the Charter is the Mayor/Council type. There are seven City Council members; each is 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 Golf Course 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 2,885 in 2005 from 2,817 in 2004.
- b. In 2005, there were 194 industrial and commercial building permits granted for new buildings, additions to existing buildings or remodeling, totaling over \$12.4 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 2005, Solon had 21 Enterprise Zone agreements. Combined with other economic incentive programs to create jobs, 3,647 jobs have been retained and 1,451 jobs have been created in the last decade.

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 238 acres are presently available for industrial development.

MAJOR INITIATIVES

Early in 2006, the Water Reclamation Plant began Phase II of a Trickling Filter/Aeration Tank project at a cost of \$6 million. In addition, the Pettibone Road reconstruction project is scheduled to begin sometime in 2006. The cost of this project is estimated to be around \$9 million.

Planning continues with 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 and object group level for all 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 2005.

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, 2005, the City's cash was invested as follows:

United States Treasury Notes	\$239,402
StarOhio	125,138
Repurchase Agreements	975,546
Federal Home Loan Bank Bonds	10,456,458
Federal Home Loan Bank Notes	1,981,260
Federal Home Loan Mortgage Corporation Notes	22,383,330
Federal National Mortgage Association Notes	<u>13,537,210</u>
Total	<u><u>\$49,698,344</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 2005, 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 2004 Comprehensive Annual Financial Report.

A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR for 2005 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

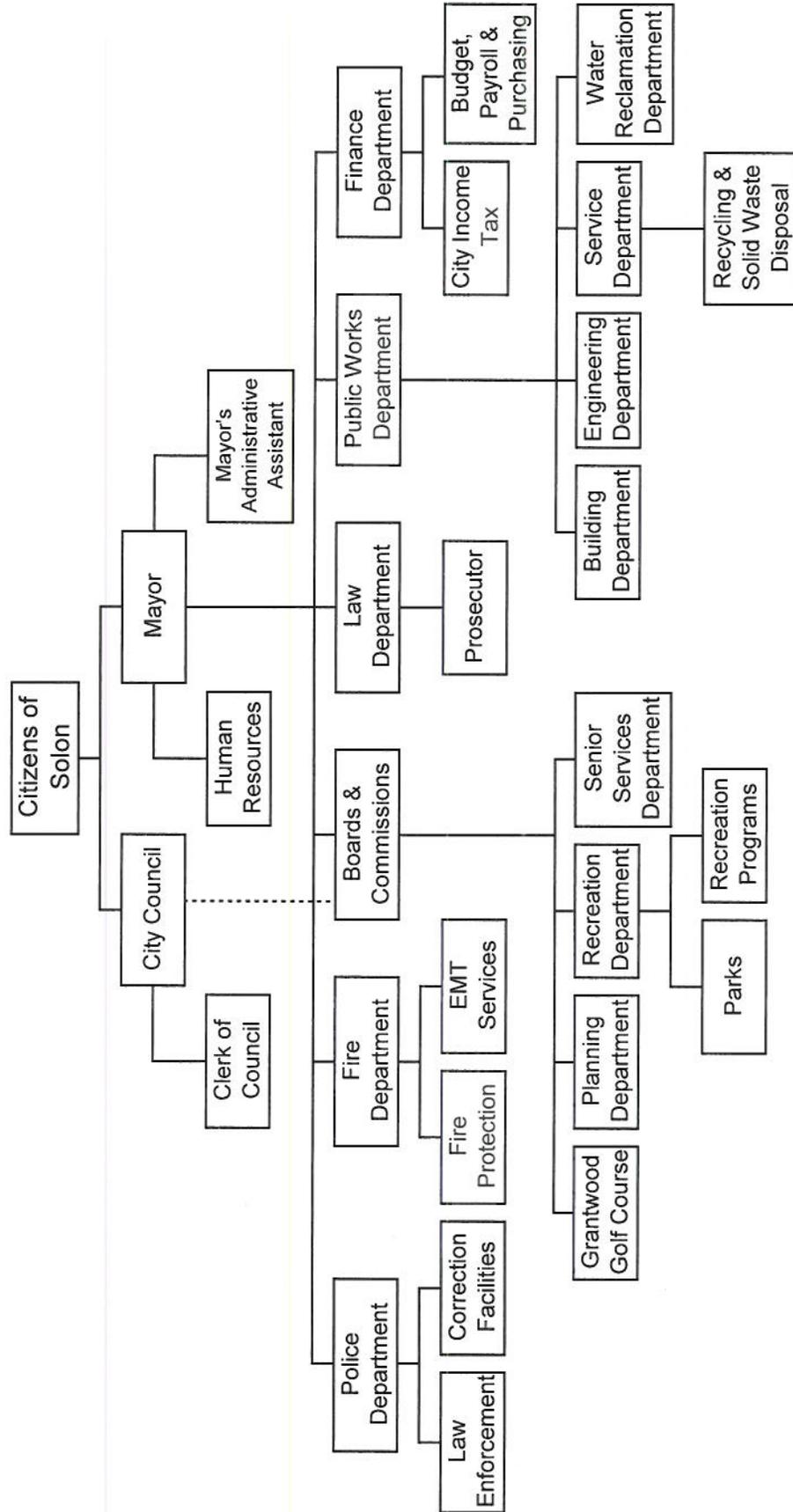
The preparation of this report would not be possible without the diligent and extra work by the Finance Department staff. I appreciate their efforts. In addition, my gratitude and compliments extend to the Auditor of State's Section of Local Government Services who helped us with this report. Finally, a thank you to Mayor Kevin Patton and the members of City Council is in order for their continued support of preparing a Comprehensive Annual Financial Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. William Weber". The signature is fluid and cursive, with a prominent initial "D" and a long, sweeping underline.

D. William Weber, CPA
Director of Finance

**City of Solon, Ohio
Organizational Chart
December 31, 2005**



City of Solon, Ohio
Principal Officials
December 31, 2005

Elected Officials

Kevin C. Patton Mayor

City Council

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

Appointed Officials

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Solon,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



Carla E. Fudge

President

Jeffrey R. Egan

Executive Director

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solon, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Solon, Cuyahoga County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

June 12, 2006

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. 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 2005 are as follows:

- Assets of the City of Solon exceeded its liabilities at the close of 2005 by \$156,257,864. Of this amount, \$19,071,484 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 \$2,356,344 or 1.53 percent from 2004.
- Total assets increased by \$2,167,467 or 1.01 percent.
- Total depreciable capital assets decreased by \$1,392,916 or 1.05 percent, while non depreciable capital assets increased by \$7,396,629 or 67.08 percent.
- As of the close of 2005, the City of Solon's governmental funds reported combined ending fund balances of \$42,195,614, a decrease of \$4,352,687 from the prior year.
- Total outstanding governmental obligations increased \$911,733 or 2.44 percent.
- On a modified accrual basis, City income tax collections increased from \$27,038,056 in 2004 to \$29,535,375 in 2005, or 9.24 percent.

Overview of the Financial Statements

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

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

In addition, this report also contains other supplementary information:

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

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005
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 and community center fund, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregate presentation. Individual fund data for each of these non-major government funds is provided in the form of combining statements elsewhere in this report.

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

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

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

FIDUCIARY FUNDS – are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Solon's own programs.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the basic financial statements, the combining statements referred to earlier in connection with non-major funds are presented, as well as individual detailed budgetary comparisons for all non-major funds. This information can be found starting on page 56.

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$60,766,537	\$64,308,783	\$6,702,446	\$6,996,446	\$67,468,983	\$71,305,229
Capital Assets, Net	90,183,033	87,701,815	59,789,460	56,266,965	149,972,493	143,968,780
<i>Total Assets</i>	<u>150,949,570</u>	<u>152,010,598</u>	<u>66,491,906</u>	<u>63,263,411</u>	<u>217,441,476</u>	<u>215,274,009</u>
Liabilities						
Current Liabilities	12,830,518	13,076,546	417,799	569,046	13,248,317	13,645,592
Long-term Liabilities						
Due within one Year	3,074,937	3,052,420	1,505,970	1,435,213	4,580,907	4,487,633
Due in More than one Year	29,192,176	27,784,003	14,162,212	15,455,261	43,354,388	43,239,264
<i>Total Liabilities</i>	<u>\$45,097,631</u>	<u>\$43,912,969</u>	<u>\$16,085,981</u>	<u>\$17,459,520</u>	<u>\$61,183,612</u>	<u>\$61,372,489</u>

City of Solon, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 1)
Net Assets
Continued

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$66,480,234	\$61,463,368	\$44,682,581	\$39,874,333	\$111,162,815	\$101,337,701
Restricted for:						
Capital Projects	17,130,291	19,714,801	0	0	17,130,291	19,714,801
Debt Service	5,832,940	5,494,418	0	0	5,832,940	5,494,418
Street, Construction, Maintenance and Repair	787,747	933,997	0	0	787,747	933,997
Cable TV	478,171	504,777	0	0	478,171	504,777
Tree Planting Deposits	232,556	216,226	0	0	232,556	216,226
Landfill Improvements	1,352,933	1,351,906	0	0	1,352,933	1,351,906
Other Purposes	208,927	139,672	0	0	208,927	139,672
Unrestricted	13,348,140	18,278,464	5,723,344	5,929,558	19,071,484	24,208,022
<i>Total Net Assets</i>	<u>\$105,851,939</u>	<u>\$108,097,629</u>	<u>\$50,405,925</u>	<u>\$45,803,891</u>	<u>\$156,257,864</u>	<u>\$153,901,520</u>

Total assets increased from \$215,274,009 to \$217,441,476 or by \$2,167,467 in 2005. The main reason for the increase was additions to construction in progress offset by reductions from annual depreciation expense.

Total liabilities decreased from \$61,372,489 to \$61,183,612 or by \$188,877. The most notable decreases in liabilities were for bond anticipation notes payable and accounts payable by a combined total of \$676,038 while deferred revenue of \$196,483 was the largest increase.

Total net assets increased by \$2,356,344 in 2005 for a total of \$156,257,864 at year end. This increase was a combination of a decrease of \$2,245,690 in governmental activities and an increase of \$4,602,034 in business-type activities.

The largest decrease in governmental assets was caused by a reduction in current assets, and in particular cash expenditures of \$4,580,536 in excess of cash receipts. In addition, governmental liabilities had a significant increase mainly because of the addition of an Ohio Water Development Authority loan that will be repaid over the next twenty years.

For business-type activities, non-depreciable capital assets had a material increase which led to an overall increase in net assets in that category.

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 2005 compared to 2004.

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(Table 2)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues						
Charges for Services and Sales	\$4,948,451	\$4,496,162	\$6,492,990	\$6,390,264	\$11,441,441	\$10,886,426
Operating Grants and Contributions	1,008,611	1,073,328	0	0	1,008,611	1,073,328
Capital Grants and Contributions	2,028,529	30,000	0	0	2,028,529	30,000
<i>Total Program Revenues</i>	<u>7,985,591</u>	<u>5,599,490</u>	<u>6,492,990</u>	<u>6,390,264</u>	<u>14,478,581</u>	<u>11,989,754</u>
General Revenues						
Property Taxes	5,123,391	5,589,627	0	0	5,123,391	5,589,627
Municipal Income Taxes	29,967,703	26,772,588	0	0	29,967,703	26,772,588
Grants and Entitlements	1,878,815	1,646,510	0	0	1,878,815	1,646,510
Gain on Sale of Capital Assets	0	8,450	0	0	0	8,450
Investment Income	893,329	1,155,225	0	0	893,329	1,155,225
Miscellaneous	87,494	90,038	52,534	67,785	140,028	157,823
<i>Total General Revenues</i>	<u>37,950,732</u>	<u>35,262,438</u>	<u>52,534</u>	<u>67,785</u>	<u>38,003,266</u>	<u>35,330,223</u>
<i>Total Revenues</i>	<u>45,936,323</u>	<u>40,861,928</u>	<u>6,545,524</u>	<u>6,458,049</u>	<u>52,481,847</u>	<u>47,319,977</u>
Program Expenses						
Security of Persons and Property						
Police	7,085,001	6,952,721	0	0	7,085,001	6,952,721
Fire	6,945,834	6,580,279	0	0	6,945,834	6,580,279
Prosecutor	449,351	291,166	0	0	449,351	291,166
Public Health and Welfare	123,533	121,625	0	0	123,533	121,625
Leisure Time Activities	5,786,057	5,599,968	0	0	5,786,057	5,599,968
Community Environment	2,659,078	2,738,297	0	0	2,659,078	2,738,297
Basic Utility Services	1,543,094	1,467,266	0	0	1,543,094	1,467,266
Transportation	11,193,451	11,766,890	0	0	11,193,451	11,766,890
General Government	6,700,104	8,336,415	0	0	6,700,104	8,336,415
Interest and Fiscal Charges	1,285,874	1,301,006	0	0	1,285,874	1,301,006
Water Reclamation	0	0	4,948,864	5,935,231	4,948,864	5,935,231
Grantwood Recreation	0	0	1,405,262	1,356,898	1,405,262	1,356,898
<i>Total Program Expenses</i>	<u>43,771,377</u>	<u>45,155,633</u>	<u>6,354,126</u>	<u>7,292,129</u>	<u>50,125,503</u>	<u>52,447,762</u>
<i>Excess (Deficiency) before Transfers</i>						
Transfers	2,164,946	(4,293,705)	191,398	(834,080)	2,356,344	(5,127,785)
Transfers	(4,410,636)	(172,818)	4,410,636	172,818	0	0
<i>Change in Net Assets</i>	<u>(2,245,690)</u>	<u>(4,466,523)</u>	<u>4,602,034</u>	<u>(661,262)</u>	<u>2,356,344</u>	<u>(5,127,785)</u>
<i>Net Assets Beginning of Year</i>	<u>108,097,629</u>	<u>112,564,152</u>	<u>45,803,891</u>	<u>46,465,153</u>	<u>153,901,520</u>	<u>158,972,335</u>
<i>Net Assets End of Year</i>	<u>\$105,851,939</u>	<u>\$108,097,629</u>	<u>\$50,405,925</u>	<u>\$45,803,891</u>	<u>\$156,257,864</u>	<u>\$153,901,520</u>

Governmental Activities

The funding for governmental activities comes from several different sources, the most significant being municipal income tax. Other sources include property tax and charges for services. Governmental expenses and transfers exceeded governmental revenues by \$2,245,690 in 2005 resulting in a decrease of governmental net assets by the same amount.

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The municipal income tax revenue for 2005 was \$29,967,703. It was 65.24 percent of the total governmental revenues and 11.93 percent increase from 2004. The main reason for this increase was a surge in all three categories of City income tax collections, those being net profits, employee withholding and resident filings.

The next largest source of governmental revenue is property tax. It was 11.15 percent of the total governmental revenues in 2005. The property tax is derived from 3.3 mills of inside (unvoted) millage and .8 mills for two voter approved levies. A portion of 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 2005 was \$14,480,186 or 33.08 percent of the governmental expenses. It is divided into three parts; \$7,085,001 for the Police Department, \$6,945,834 for the Fire Department and \$449,351 for the Prosecutor. The increase of \$656,020 in 2005 over 2004 was mostly because of an increase in employee compensation and benefits.

The next largest program or function is Transportation. It totaled \$11,193,451 in 2005 and represented 25.57 percent of the total governmental expenses. It includes the maintenance of streets, storm sewers and other related infrastructure. The decrease of \$573,439 in 2005 over 2004 was mostly because of contributed capital from the infrastructure capital projects fund to the water reclamation enterprise fund in the amount of \$4,223,920.

The third largest program was General Government at \$6,700,104 and it was 15.31 percent of the total governmental expenses. It accounts for the City hall administrative departments and showed a decrease of \$1,636,311 in 2005 from 2004. The main reason for the reduction was an increase in capitalized expenditures.

Business-type Activities

The City has two business-type operations. They are the Water Reclamation Plant (wastewater) and Grantwood (golf course) Recreation. The largest source of revenue for both Water Reclamation and Grantwood Recreation in 2005 was charges for services in the respective amounts of \$5,034,157 and \$1,458,833. On the expense side, the largest expenses are for payroll and employee benefits 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.

As of the end of 2005, the City of Solon's governmental funds reported combined ending fund balances of \$42,195,614. Of that amount, \$39,159,244 is unreserved. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchases of the prior period.

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All governmental funds had total revenues of \$44,884,204 and expenditures of \$53,044,783 under the modified accrual basis. The general fund is the main governmental and operating fund of the City. The increase in the general fund's fund balance was \$2,719,080 before transfers to other funds. After transfers-out and other financing sources, of (\$4,452,253), the overall fund balance decreased by \$1,733,173. The infrastructure capital projects fund receipts income tax revenues for the purpose of paying costs to construct and maintain infrastructure of the City. The decrease in the infrastructure fund's fund balance was \$5,511,892 before proceeds of Ohio Water Development Authority loans. After other financing sources of \$3,811,825, the overall fund balance decreased by \$1,700,067.

Business-type Funds – report the City's water reclamation (wastewater) operation and Grantwood (golf course) recreation on a full accrual basis. In 2005, the net assets for the water reclamation facility increased by \$4,527,737 and the net assets for Grantwood recreation increased by \$74,297.

General Fund Budgeting Highlights

Solon's largest 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 reserve (or carryover) from the prior year for that particular fund.

In 2005, the general fund's actual revenue plus other financing sources exceeded the estimate by \$368,122. In addition, the general fund's actual expenditures plus other financing uses were \$1,622,103 under budget producing an overall positive variance of \$1,990,225.

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$8,612,765	\$7,748,645	\$3,150,174	\$3,150,174	\$11,762,939	\$10,898,819
Construction in Progress	2,118,303	127,038	4,541,244	0	6,659,547	127,038
Land Improvements	705,861	555,848	21,430	25,861	727,291	581,709
Buildings	42,270,565	43,459,315	19,874,271	20,574,097	62,144,836	64,033,412
Furniture and Equipment	2,139,667	1,762,214	1,773,094	1,938,392	3,912,761	3,700,606
Vehicles	4,619,736	4,138,176	366,389	298,064	4,986,125	4,436,240
Infrastructure	29,716,136	29,910,579	30,062,858	30,280,377	59,778,994	60,190,956
Total Capital Assets	\$90,183,033	\$87,701,815	\$59,789,460	\$56,266,965	\$149,972,493	\$143,968,780

The total capital assets, net of depreciation, for the City's governmental activities as of year end 2005 were \$90,183,033. This was an increase of \$2,481,218 from 2004 and was mainly due to the purchase of land and construction in progress. The total capital assets, net of depreciation, for the City's business-type activities increased from \$56,266,965 in 2004 to \$59,789,460 in 2005. This was an increase of \$3,522,495 and was caused by the addition of construction in progress for the

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Aurora Road Sanitary Sewer project less depreciation on other assets. For additional information, please see note 9 to the basic financial statements.

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

Outstanding Obligations

(Table 4)
 Outstanding Obligations at Year End

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$17,170,000	\$19,040,000	\$0	\$0	\$17,170,000	\$19,040,000
Special Assessment Bonds	548,385	722,220	0	0	548,385	722,220
Notes	6,012,118	6,531,075	0	0	6,012,118	6,531,075
OPWC Loans	532,799	593,447	0	0	532,799	593,447
OWDA Loans	11,347,421	7,977,195	13,041,769	14,183,512	24,389,190	22,160,707
Interfund Loans	0	0	2,065,110	2,209,120	2,065,110	2,209,120
Compensated Absences	2,668,508	2,503,561	561,303	497,842	3,229,811	3,001,403
Total	\$38,279,231	\$37,367,498	\$15,668,182	\$16,890,474	\$53,947,413	\$54,257,972

At year-end 2005, the City of Solon had a total of \$53,947,413 in outstanding obligations. This was a decrease of \$310,559 from year end 2004. General Obligation Bonds and Ohio Water Development Authority Loans comprise most of the outstanding obligations. In addition, outstanding obligations include compensated absences (sick leave, vacation, etc.) for 2005 in the amount of \$3,229,811.

Governmental activities have 70.96 percent of the obligations. This debt is serviced by inside (unvoted) property tax millage that is credited to the bond retirement fund. Most of this debt was issued for the construction of new buildings such as the new City Hall (1993), the new Community Center (2002) and the new Fire Station (2002). Most of the business-type debt is for the water reclamation utility and improvements made to the wastewater plant. User fees are used to service that debt.

The compensated absence category is 5.99 percent in total outstanding obligations and it represents the dollar value of accumulated but unused sick leave and vacation time at year-end 2005. The liability represents amounts that will either be taken as leave or paid out upon termination or retirement. For additional information, please see note 14 and 15 to the basic financial statements.

Economic Factors and Current Financial Issues

The City of Solon continues to have a strong tax base that grows each year. The best indicator of this was the increase in City income tax receipts by \$2,497,319 (from \$27,038,056 to \$29,535,375).

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All three components of City income tax receipts, those being employee withholding, net profits and resident returns, were more in 2005 than in 2004.

The number of employees (full time plus part time) that have earned income in Solon, as reported to our City Income Tax Division, 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 value in Ohio. In 2005, the City issued 129 building permits for new homes that had an aggregate market value of \$53 million and 595 permits for residential addition and alteration with an aggregate value of \$6.2 million. In addition, there were 5 new industrial and commercial permits and 194 industrial and commercial addition and alteration permits issued in 2005 with a total market value of \$12.4 million.

The City continues to have an aggressive economic development program. In 2005 the City added two more Job Creation Grant agreements for a total of five employers to create 510 new jobs and retain 111 jobs. This was in addition to twenty one active Enterprise Zone Agreements as of year end 2005 for the combined total creation of 1,451 jobs and retention of 3,647 jobs. In addition, the industrial vacancy rate dropped from 10.6 percent in December 2004 to 7.0 percent in December 2005.

The financial statements of the City of Solon show that the City is still in a very strong cash position. The year end 2005 General Fund cash and cash equivalent balance was \$22,724,336. This was 75.25 percent in relation to the 2005 expenditures and other financing uses of \$30,197,555.

Debt management has always been a priority of the City of Solon's Mayors and City Councils. The City's current bond rating is Aa1 with Moody's and AA+ with Standard & Poors.

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, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$44,341,005	\$6,563,163	\$50,904,168
Materials and Supplies Inventory	361,275	131,873	493,148
Accounts Receivable	22,874	7,410	30,284
Interfund Loans Receivable	2,065,110	0	2,065,110
Intergovernmental Receivable	1,361,693	0	1,361,693
Municipal Income Taxes Receivable	4,386,673	0	4,386,673
Property Taxes Receivable	4,433,250	0	4,433,250
Special Assessments Receivable	3,794,657	0	3,794,657
Nondepreciable Capital Assets	10,731,068	7,691,418	18,422,486
Depreciable Capital Assets, Net	79,451,965	52,098,042	131,550,007
<i>Total Assets</i>	<u>150,949,570</u>	<u>66,491,906</u>	<u>217,441,476</u>
Liabilities			
Accounts Payable	302,366	36,701	339,067
Accrued Wages	467,520	47,073	514,593
Contracts Payable	351,029	0	351,029
Intergovernmental Payable	745,241	31,736	776,977
Matured Compensated Absences Payable	52,307	0	52,307
Notes Payable	6,012,118	0	6,012,118
Accrued Interest Payable	173,278	207,584	380,862
Claims Payable	122,602	0	122,602
Deferred Revenue	4,266,156	0	4,266,156
Vacation Benefits Payable	337,901	94,705	432,606
Long-Term Liabilities:			
Due Within One Year	3,074,937	1,505,970	4,580,907
Due In More Than One Year	29,192,176	14,162,212	43,354,388
<i>Total Liabilities</i>	<u>45,097,631</u>	<u>16,085,981</u>	<u>61,183,612</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	66,480,234	44,682,581	111,162,815
Restricted for:			
Capital Projects	17,130,291	0	17,130,291
Debt Service	5,832,940	0	5,832,940
Street, Construction, Maintenance and Repair	787,747	0	787,747
Cable TV	478,171	0	478,171
Tree Planting Deposits	232,556	0	232,556
Landfill Improvement	1,352,933	0	1,352,933
Other Purposes	208,927	0	208,927
Unrestricted	13,348,140	5,723,344	19,071,484
<i>Total Net Assets</i>	<u>\$105,851,939</u>	<u>\$50,405,925</u>	<u>\$156,257,864</u>

See accompanying notes to the basic financial statements

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property				
Police	\$7,085,001	\$451,120	\$43,547	\$0
Fire	6,945,834	410,017	0	0
Prosecutor	449,351	33,500	0	0
Public Health and Welfare	123,533	9,210	0	0
Leisure Time Activities	5,786,057	2,853,512	30,123	0
Community Environment	2,659,078	147,069	14,046	0
Basic Utility Services	1,543,094	147,855	0	0
Transportation	11,193,451	308,193	920,895	1,936,635
General Government	6,700,104	587,975	0	91,894
Interest and Fiscal Charges	1,285,874	0	0	0
<i>Total Governmental Activities</i>	<u>43,771,377</u>	<u>4,948,451</u>	<u>1,008,611</u>	<u>2,028,529</u>
Business-Type Activities:				
Water Reclamation	4,948,864	5,034,157	0	0
Grantwood Recreation	1,405,262	1,458,833	0	0
<i>Total Business-Type Activities</i>	<u>6,354,126</u>	<u>6,492,990</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$50,125,503</u>	<u>\$11,441,441</u>	<u>\$1,008,611</u>	<u>\$2,028,529</u>

General Revenues

Property and Other Local Taxes Levied for:

- General Purposes
- Debt Service
- Police Pension
- Fire Pension
- Service and Safety Equipment

Municipal Income Taxes Levied for:

- General Purposes
- Infrastructure

Grants and Entitlements not Restricted to Specific Programs

Investment Income

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
(\$6,590,334)	\$0	(\$6,590,334)
(6,535,817)	0	(6,535,817)
(415,851)	0	(415,851)
(114,323)	0	(114,323)
(2,902,422)	0	(2,902,422)
(2,497,963)	0	(2,497,963)
(1,395,239)	0	(1,395,239)
(8,027,728)	0	(8,027,728)
(6,020,235)	0	(6,020,235)
(1,285,874)	0	(1,285,874)
<u>(35,785,786)</u>	<u>0</u>	<u>(35,785,786)</u>
0	85,293	85,293
0	53,571	53,571
<u>0</u>	<u>138,864</u>	<u>138,864</u>
<u>(35,785,786)</u>	<u>138,864</u>	<u>(35,646,922)</u>
1,439,427	0	1,439,427
2,237,086	0	2,237,086
410,539	0	410,539
615,809	0	615,809
420,530	0	420,530
22,840,197	0	22,840,197
7,127,506	0	7,127,506
1,878,815	0	1,878,815
893,329	0	893,329
87,494	52,534	140,028
37,950,732	52,534	38,003,266
<u>(4,410,636)</u>	<u>4,410,636</u>	<u>0</u>
<u>33,540,096</u>	<u>4,463,170</u>	<u>38,003,266</u>
(2,245,690)	4,602,034	2,356,344
<u>108,097,629</u>	<u>45,803,891</u>	<u>153,901,520</u>
<u>\$105,851,939</u>	<u>\$50,405,925</u>	<u>\$156,257,864</u>

City of Solon, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	General	General Obligation Bond Retirement	Infrastructure	Community Center
Assets				
Equity in Pooled Cash and Cash Equivalents	\$22,724,336	\$1,996,537	\$13,285,745	\$547,806
Materials and Supplies Inventory	361,275	0	0	0
Accounts Receivable	17,401	0	0	0
Loans Receivable	2,065,110	0	0	0
Intergovernmental Receivable	673,500	119,258	0	0
Special Assessments Receivable	0	3,794,657	0	0
Municipal Income Taxes Receivable	3,290,005	0	1,096,668	0
Property Taxes Receivable	552,553	2,320,728	0	0
<i>Total Assets</i>	<u>\$29,684,180</u>	<u>\$8,231,180</u>	<u>\$14,382,413</u>	<u>\$547,806</u>
Liabilities				
Accounts Payable	\$259,699	\$250	\$0	\$0
Accrued Wages	435,689	0	0	0
Contracts Payable	1,861	0	320,550	1,468
Intergovernmental Payable	294,426	0	0	0
Accrued Interest Payable	0	0	0	15,263
Matured Compensated Absences Payable	52,307	0	0	0
Claims Payable	122,602	0	0	0
Deferred Revenue	1,918,944	6,234,643	308,259	0
Notes Payable	0	0	0	4,440,000
<i>Total Liabilities</i>	<u>3,085,528</u>	<u>6,234,893</u>	<u>628,809</u>	<u>4,456,731</u>
Fund Balances				
Reserved for Encumbrances	642,943	0	117,107	6,464
Reserved for Loans Receivable	2,065,110	0	0	0
Reserved for Unclaimed Monies	72,368	0	0	0
Undesignated, Reported in:				
General Fund	23,818,231	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	1,996,287	0	0
Capital Projects Funds (Deficit)	0	0	13,636,497	(3,915,389)
<i>Total Fund Balances</i>	<u>26,598,652</u>	<u>1,996,287</u>	<u>13,753,604</u>	<u>(3,908,925)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$29,684,180</u>	<u>\$8,231,180</u>	<u>\$14,382,413</u>	<u>\$547,806</u>

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, 2005*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Funds Balances	\$42,195,614
		Amounts reported for governmental activities in the statement of net assets are different because	
\$5,786,581	\$44,341,005	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	90,183,033
0	361,275		
5,473	22,874		
0	2,065,110	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
568,935	1,361,693	Property Taxes	167,094
0	3,794,657	Municipal Income Taxes	1,233,035
0	4,386,673	Intergovernmental	1,048,290
1,559,969	4,433,250	Special Assessments	3,794,657
<u>\$7,920,958</u>	<u>\$60,766,537</u>	Total	6,243,076
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(152,652)
\$42,417	\$302,366		
31,831	467,520	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.	(12,118)
27,150	351,029		
450,815	745,241	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(337,901)
5,363	20,626		
0	52,307	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:	
0	122,602	Compensated Absences	(2,668,508)
2,047,386	10,509,232	General Obligation Bonds	(17,170,000)
1,560,000	6,000,000	Special Assessment Bonds	(548,385)
<u>4,164,962</u>	<u>18,570,923</u>	OWDA Loan Payable	(11,347,421)
		OPWC Loan Payable	(532,799)
132,378	898,892	Total	(32,267,113)
0	2,065,110	<i>Net Assets of Governmental Activities</i>	\$105,851,939
0	72,368		
0	23,818,231		
2,762,247	2,762,247		
0	1,996,287		
861,371	10,582,479		
<u>3,755,996</u>	<u>42,195,614</u>		
<u>\$7,920,958</u>	<u>\$60,766,537</u>		

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

	General	General Obligation Bond Retirement	Infrastructure	Community Center
Revenues				
Property Taxes	\$752,539	\$2,155,048	\$0	\$119,912
Municipal Income Taxes	22,515,951	0	7,019,424	0
Other Local Taxes	695,906	0	0	0
Special Assessments	0	1,083,930	0	0
Intergovernmental	1,485,981	18,607	93,735	204,743
Investment Income	893,329	0	0	0
Fees, Licenses and Permits	759,612	84,959	0	0
Fines and Forfeitures	332,732	0	0	0
Rentals	0	0	0	0
Charges for Services	825,698	0	0	0
Contributions and Donations	0	0	0	0
Miscellaneous	33,071	0	0	0
<i>Total Revenues</i>	<u>28,294,819</u>	<u>3,342,544</u>	<u>7,113,159</u>	<u>324,655</u>
Expenditures				
Current:				
Security of Persons and Property				
Police	6,014,801	0	0	0
Fire	5,434,377	0	0	0
Prosecutor	445,789	0	0	0
Public Health and Welfare	123,533	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	1,960,636	0	0	0
Basic Utility Services	1,512,552	0	0	0
Transportation	4,133,983	0	0	0
General Government	5,950,068	50,759	0	0
Capital Outlay	0	0	12,564,403	95,831
Debt Service:				
Principal Retirement	0	2,485,434	60,648	0
Interest and Fiscal Charges	0	1,148,065	0	132,127
<i>Total Expenditures</i>	<u>25,575,739</u>	<u>3,684,258</u>	<u>12,625,051</u>	<u>227,958</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,719,080</u>	<u>(341,714)</u>	<u>(5,511,892)</u>	<u>96,697</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	169,563	0	0	0
OWDA Loans Issued	0	0	3,811,825	0
Premium on General Obligation Notes Issued	0	0	0	13,220
Transfers In	0	0	0	0
Transfers Out	(4,621,816)	(24,133)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,452,253)</u>	<u>(24,133)</u>	<u>3,811,825</u>	<u>13,220</u>
<i>Net Change in Fund Balances</i>	<u>(1,733,173)</u>	<u>(365,847)</u>	<u>(1,700,067)</u>	<u>109,917</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>28,331,825</u>	<u>2,362,134</u>	<u>15,453,671</u>	<u>(4,018,842)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$26,598,652</u>	<u>\$1,996,287</u>	<u>\$13,753,604</u>	<u>(\$3,908,925)</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, 2005*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$4,352,687)
		Amounts reported for governmental activities in the statement of activities are different because	
\$1,472,225	\$4,499,724	Governmental funds report capital outlays as expenditures.	
0	29,535,375	However, in the statement of activities, the cost of those	
0	695,906	assets is allocated over their estimated useful lives as	
0	1,083,930	depreciation expense. This is the amount by which depreciation	
1,269,947	3,073,013	exceeded capital outlays in the current period.	
0	893,329	Capital Outlay	6,983,313
268,093	1,112,664	Depreciation	<u>(4,274,039)</u>
0	332,732		
31,992	31,992	Total	2,709,274
2,645,365	3,471,063	Governmental funds only report the disposal of fixed assets to	
66,982	66,982	the extent proceeds are received from the sale. In the	
54,423	87,494	statement of activities, a gain or loss is reported for each	
		disposal.	(228,056)
5,809,027	44,884,204	Revenues in the statement of activities that do not provide	
		current financial resources are not reported as revenues	
		in the funds.	
634,802	6,649,603	Property and Other Local Taxes	(72,239)
1,023,974	6,458,351	Municipal Income Taxes	432,328
0	445,789	Intergovernmental	(66,940)
0	123,533	Special Assessments	<u>758,970</u>
5,091,112	5,091,112		
102,248	2,062,884	Total	1,052,119
75,046	1,587,598	Repayment of long-term debt is an expenditure in the	
1,034,000	5,167,983	governmental funds, but the repayment reduces long-term	
0	6,000,827	liabilities in the statement of net assets.	2,546,082
2,918,738	15,578,972	Some expenses reported in the statement of activities do not require	
0	2,546,082	the use of current financial resources and therefore are not reported	
51,857	1,332,049	as expenditures in governmental funds.	
10,931,777	53,044,783	Accrued Interest on Bonds	13,998
		Amortization of Note Premium	<u>32,177</u>
(5,122,750)	(8,160,579)	Total	46,175
0	169,563	Some expenses reported in the statement of activities, such as	
0	3,811,825	compensated absences and intergovernmental payable	
0	13,220	(which represents contractually required pension contributions	
4,462,788	4,462,788	do not require the use of current financial resources and therefore	
(3,555)	(4,649,504)	are not reported as expenditures in governmental funds.	
4,459,233	3,807,892	Compensated Absences	(164,947)
		Vacation Benefits Payable	<u>(28,605)</u>
(663,517)	(4,352,687)	Total	(193,552)
4,419,513	46,548,301	Other financing sources in the governmental funds	
\$3,755,996	\$42,195,614	increase long-term liabilities in the statement of net assets	
		are not reported as revenues in the statement of activities.	
		Proceeds of OWDA Loan	(3,811,825)
		Premium on Notes	<u>(13,220)</u>
		Total	<u>(3,825,045)</u>
		Change in Net Assets of Governmental Activities	<u>(\$2,245,690)</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, 2005*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Property Taxes	\$780,900	\$780,900	\$752,539	(\$28,361)
Municipal Income Taxes	22,562,500	22,562,500	22,570,179	7,679
Other Local Taxes	600,350	600,350	693,951	93,601
Intergovernmental	1,554,632	1,554,632	1,474,416	(80,216)
Investment Income	1,482,187	1,482,187	1,652,880	170,693
Fees, Licenses and Permits	757,000	757,000	753,997	(3,003)
Fines and Forfeitures	311,000	311,000	326,762	15,762
Charges for Services	644,837	644,837	825,733	180,896
Miscellaneous	22,000	22,000	33,071	11,071
<i>Total Revenues</i>	<u>28,715,406</u>	<u>28,715,406</u>	<u>29,083,528</u>	<u>368,122</u>
Expenditures				
Current:				
Security of Persons and Property				
Police	5,720,346	6,385,919	6,168,362	217,557
Fire	5,111,181	5,704,601	5,589,571	115,030
Prosecutor	330,444	369,099	351,976	17,123
Public Health and Welfare	121,569	127,277	123,811	3,466
Community Environment	2,097,701	2,335,794	2,105,910	229,884
Basic Utility Services	1,493,015	1,665,968	1,656,075	9,893
Transportation	3,667,594	4,088,180	4,061,655	26,525
General Government	6,380,273	7,140,372	6,329,359	811,013
<i>Total Expenditures</i>	<u>24,922,123</u>	<u>27,817,210</u>	<u>26,386,719</u>	<u>1,430,491</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,793,283</u>	<u>898,196</u>	<u>2,696,809</u>	<u>1,798,613</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	169,563	169,563	169,563	0
Interfund Loan Repayments	144,010	144,010	144,010	0
Transfers Out	(6,815,307)	(4,813,428)	(4,621,816)	191,612
<i>Total Other Financing Sources (Uses)</i>	<u>(6,501,734)</u>	<u>(4,499,855)</u>	<u>(4,308,243)</u>	<u>191,612</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(2,708,451)</u>	<u>(3,601,659)</u>	<u>(1,611,434)</u>	<u>1,990,225</u>
<i>Fund Balances Beginning of Year</i>	24,350,567	24,350,567	24,350,567	0
Prior Year Encumbrances Appropriated	656,829	656,829	656,829	0
<i>Fund Balances End of Year</i>	<u>\$22,298,945</u>	<u>\$21,405,737</u>	<u>\$23,395,962</u>	<u>\$1,990,225</u>

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2005

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$6,328,729	\$234,434	\$6,563,163
Materials and Supplies Inventory	120,965	10,908	131,873
Accounts Receivable	5,938	1,472	7,410
<i>Total Current Assets</i>	<u>6,455,632</u>	<u>246,814</u>	<u>6,702,446</u>
<i>Noncurrent Assets:</i>			
Nondepreciable Capital Assets	5,309,254	2,382,164	7,691,418
Depreciable Capital Assets, Net	51,354,813	743,229	52,098,042
<i>Total Noncurrent Assets</i>	<u>56,664,067</u>	<u>3,125,393</u>	<u>59,789,460</u>
<i>Total Assets</i>	<u>63,119,699</u>	<u>3,372,207</u>	<u>66,491,906</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	28,107	8,594	36,701
Accrued Wages	41,521	5,552	47,073
Intergovernmental Payable	26,413	5,323	31,736
Accrued Interest Payable	207,584	0	207,584
Compensated Absences Payable	45,676	130,218	175,894
Vacation Benefits Payable	45,070	49,635	94,705
OWDA Loans Payable	1,179,838	0	1,179,838
Interfund Loans Payable	0	150,238	150,238
<i>Total Current Liabilities</i>	<u>1,574,209</u>	<u>349,560</u>	<u>1,923,769</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	336,718	48,691	385,409
OWDA Loans Payable	11,861,931	0	11,861,931
Interfund Loans Payable	0	1,914,872	1,914,872
<i>Total Long-Term Liabilities</i>	<u>12,198,649</u>	<u>1,963,563</u>	<u>14,162,212</u>
<i>Total Liabilities</i>	<u>13,772,858</u>	<u>2,313,123</u>	<u>16,085,981</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	43,622,298	1,060,283	44,682,581
Unrestricted (Deficit)	5,724,543	(1,199)	5,723,344
<i>Total Net Assets</i>	<u>\$49,346,841</u>	<u>\$1,059,084</u>	<u>\$50,405,925</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, 2005*

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Operating Revenues			
Charges for Services	\$4,586,742	\$1,224,584	\$5,811,326
Tap-In Fees	447,415	0	447,415
Rentals	0	234,249	234,249
Miscellaneous	41,476	11,058	52,534
<i>Total Operating Revenues</i>	<u>5,075,633</u>	<u>1,469,891</u>	<u>6,545,524</u>
Operating Expenses			
Personal Services	1,825,797	695,623	2,521,420
Materials and Supplies	178,321	399,119	577,440
Contractual Services	887,302	170,041	1,057,343
Depreciation	1,617,820	49,733	1,667,553
Other	36,330	0	36,330
<i>Total Operating Expenses</i>	<u>4,545,570</u>	<u>1,314,516</u>	<u>5,860,086</u>
<i>Operating Income</i>	<u>530,063</u>	<u>155,375</u>	<u>685,438</u>
Non-Operating Expenses			
Loss on Sale of Capital Assets	(3,464)	0	(3,464)
Interest and Fiscal Charges	(399,830)	(90,746)	(490,576)
<i>Total Non-Operating Expenses</i>	<u>(403,294)</u>	<u>(90,746)</u>	<u>(494,040)</u>
<i>Income before Transfers and Capital Contributions</i>	126,769	64,629	191,398
Capital Contributions	4,223,920	0	4,223,920
Transfers In	177,048	9,668	186,716
<i>Change in Net Assets</i>	4,527,737	74,297	4,602,034
<i>Net Assets Beginning of Year</i>	<u>44,819,104</u>	<u>984,787</u>	<u>45,803,891</u>
<i>Net Assets End of Year</i>	<u><u>\$49,346,841</u></u>	<u><u>\$1,059,084</u></u>	<u><u>\$50,405,925</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, 2005

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$4,792,064	\$1,223,408	\$6,015,472
Cash Received from Tap-In Fees	447,415	0	447,415
Cash Received from Rentals	0	234,249	234,249
Cash Received from Other Sources	41,476	11,058	52,534
Cash Payments to Employees for Services and Benefits	(1,792,261)	(659,006)	(2,451,267)
Cash Payments for Goods and Services	(1,224,604)	(567,756)	(1,792,360)
Cash Payments for Other Operating Expenses	(36,330)	0	(36,330)
<i>Net Cash Provided by Operating Activities</i>	<u>2,227,760</u>	<u>241,953</u>	<u>2,469,713</u>
Cash Flows from Noncapital Financing Activities			
Transfers In	<u>152,915</u>	<u>9,668</u>	<u>162,583</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(937,902)	(31,690)	(969,592)
Principal Paid on OWDA Loans	(1,140,736)	0	(1,140,736)
Interest Paid on OWDA Loans	(418,878)	0	(418,878)
Principal Paid on Interfund Loan	0	(144,010)	(144,010)
Interest Paid on Interfund Loan	0	(90,746)	(90,746)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,497,516)</u>	<u>(266,446)</u>	<u>(2,763,962)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(116,841)	(14,825)	(131,666)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>6,445,570</u>	<u>249,259</u>	<u>6,694,829</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$6,328,729</u></u>	<u><u>\$234,434</u></u>	<u><u>\$6,563,163</u></u>

(continued)

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

	Business-type Activities		
	Water Reclamation	Grantwood Recreation	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$530,063	\$155,375	\$685,438
Adjustments:			
Depreciation	1,617,820	49,733	1,667,553
(Increase) Decrease in Assets:			
Accounts Receivable	205,322	(1,176)	204,146
Materials and Supplies Inventory	(19,520)	834	(18,686)
Increase (Decrease) in Liabilities:			
Accounts Payable	(139,461)	570	(138,891)
Accrued Wages and Benefits	3,482	(5,841)	(2,359)
Compensated Absences Payable	29,618	33,843	63,461
Vacation Benefits Payable	(6,679)	8,820	2,141
Intergovernmental Payable	7,115	(205)	6,910
<i>Net Cash Provided by Operating Activities</i>	<u>\$2,227,760</u>	<u>\$241,953</u>	<u>\$2,469,713</u>

Noncash Capital Financing Activities

During 2005, the infrastructure capital projects fund paid \$4,223,920 directly to contractors on behalf of the water reclamation enterprise fund. This amount is included in capital contributions.

During 2005, the general obligation bond retirement debt service fund made \$24,133 of Ohio Water Development Authority principal payments on behalf of the water reclamation enterprise fund.

See accompanying notes to the basic financial statements

City of Solon, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$977,769</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$977,769</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, 2005

Note 1 - Reporting Entity

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of Solon consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Solon this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, a public golf course, sanitation system and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool and a jointly governed organization. These organizations are the Northern Ohio Risk Management Association and the Northeast Ohio Public Energy Council. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

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

B. Fund Accounting

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

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

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

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

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

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.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

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

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

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

C. Measurement Focus

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

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

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 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.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are 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 2005, investments were limited to STAROhio, repurchase agreements, federal home loan bank bonds, federal home loan bank notes, federal home loan mortgage corporation notes, federal national mortgage association notes and United States Treasury 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, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$893,329, which includes \$502,050 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.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

G. Inventory

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

H. Capital Assets

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

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

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

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

For 2005, the City reported infrastructure consisting of roadways, sanitary sewers, bridges and culverts and includes infrastructure acquired prior to December 31, 1980.

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

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.

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 absences 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, loans receivable 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
For the Year Ended December 31, 2005

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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$26,023,565 of restricted net assets, of which \$17,289,621 is restricted by enabling legislation. Net assets restricted for other purposes include state highway, 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
For the Year Ended December 31, 2005

R. Budgetary Process

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

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

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

A. Change in Accounting Principle

For 2005, the City has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the City.

B. Restatement of Net Assets

The City of Solon has restated capital asset totals for the inclusion of omitted storm sewers in the amount of \$56,970. This restatement changed ending net assets at December 31, 2004 from \$108,040,659 to \$108,097,629.

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

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

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

Net Change in Fund Balance	
GAAP Basis	(\$1,733,173)
Net Adjustment for Revenue Accruals	29,158
Beginning Fair Value Adjustment for Investments	(673,274)
Ending Fair Value Adjustment for Investments	1,421,742
Net Adjustment for Expenditure Accruals	(49,781)
Interfund Loan Repayment	144,010
Ending Unrecorded Cash	11,083
Encumbrances	<u>(761,199)</u>
Budget Basis	<u><u>(\$1,611,434)</u></u>

Note 5 – Accountability

The police and fire pension special revenue funds have deficit fund balances as of December 31, 2005 in the amounts of \$56,066 and \$179,405 respectively. The special revenue funds' deficits

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

are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

The community center and the building construction capital projects funds have deficit fund balances as of December 31, 2005 in the amounts of \$3,908,925 and \$943,738 respectively. The capital projects funds' deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, these deficits will be eliminated.

Note 6 - Deposits and Investments

Monies held by the City are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active 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.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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, 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;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,466,942 of the City's bank balance of \$3,750,867 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all 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.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2005, the City had the following investments:

	Maturity			Total
	Less Than One Year	More Than One Year But Less Than Three Years	More Than Three Years But Less Than Five Years	
Repurchase Agreements	\$960,000	\$0	\$0	\$960,000
Federal Home Loan Bank Bonds	0	10,065,958	390,500	10,456,458
Federal Home Loan Bank Notes	0	1,981,260	0	1,981,260
Federal Home Loan Mortgage Corporation Notes	10,832,430	8,646,870	2,904,030	22,383,330
Federal National Mortgage Association Notes	0	9,714,070	3,823,140	13,537,210
United States Treasury Notes	239,402	0	0	239,402
STAROhio	125,138	0	0	125,138
Total Portfolio	\$12,156,970	\$30,408,158	\$7,117,670	\$49,682,798

City of Solon, Ohio
Notes to the Basic Financial Statements
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Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk The Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, the United States Treasury Notes and the Government Group Money Markets carry a rating of AAA by Standard & Poor's and STAROhio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2005:

<u>Investment</u>	<u>Percentage of Investments</u>
Repurchase Agreements	1.93 %
Federal Home Loan Bank Bonds	21.05
Federal Home Loan Bank Notes	3.99
Federal Home Loan Mortgage Corporation Notes	45.05
Federal National Mortgage Association Notes	27.25
United States Treasury Notes	0.48
STAROhio	0.25

Note 7 – Receivables

Receivables at December 31, 2005, 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. All except special assessments are expected to be collected within one year.

Special assessments expected to be collected in more than one year amount to \$3,409,302 in the general obligation bond retirement fund. At December 31, 2005, the amount of delinquent special assessments was \$26,171.

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

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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. 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, 2005 was \$4.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$992,093,020
Public Utility Personal Property	20,399,710
Tangible Personal Property	<u>166,267,796</u>
Total	<u><u>\$1,178,760,526</u></u>

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

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

The County Treasurer collects property tax on behalf of all taxing districts within the County, including the City of Solon. The County Auditor periodically remits to the City its portions of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2005 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 2005 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.

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

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 2005, the proceeds were allocated seventy-five percent to the general fund and twenty-five percent to the infrastructure capital projects fund.

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Local Government	\$430,252
Homestead and Rollback	226,520
Gasoline Tax	221,756
Estate Tax	156,246
Cents per Gallon	140,401
Auto Regulation	127,806
Prisoner Housing	28,396
City of Solon	24,056
State of Ohio	5,213
County Auditor	1,047
Total Intergovernmental Receivables	<u>\$1,361,693</u>

Note 8 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2005.

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.

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

Note 9 - Capital Assets

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

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$7,748,645	\$864,120	\$0	\$8,612,765
Construction in progress	127,038	2,252,986	(261,721)	2,118,303
Total Capital Assets Not Being Depreciated	<u>7,875,683</u>	<u>3,117,106</u>	<u>(261,721)</u>	<u>10,731,068</u>
Capital Assets Being Depreciated				
Land improvements	857,464	203,081	0	1,060,545
Buildings	50,957,578	75,309	0	51,032,887
Equipment and Furniture	3,577,103	662,287	0	4,239,390
Vehicles	8,732,304	1,379,787	(804,667)	9,307,424
Infrastructure	59,946,397	1,807,464	(232,557)	61,521,304
Total Capital Assets Being Depreciated	<u>124,070,846</u>	<u>4,127,928</u>	<u>(1,037,224)</u>	<u>127,161,550</u>
Less Accumulated Depreciation				
Land improvements	(301,616)	(53,068)	0	(354,684)
Buildings	(7,498,263)	(1,264,059)	0	(8,762,322)
Equipment and Furniture	(1,814,889)	(284,834)	0	(2,099,723)
Vehicles	(4,594,128)	(744,315)	650,755	(4,687,688)
Infrastructure	(30,035,818)	(1,927,763)	158,413	(31,805,168)
Total Accumulated Depreciation	<u>(44,244,714)</u>	<u>(4,274,039) *</u>	<u>809,168</u>	<u>(47,709,585)</u>
Capital Assets Being Depreciated, net	<u>79,826,132</u>	<u>(146,111)</u>	<u>(228,056)</u>	<u>79,451,965</u>
Governmental Activities Capital Assets, net	<u>\$87,701,815</u>	<u>\$2,970,995</u>	<u>(\$489,777)</u>	<u>\$90,183,033</u>

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

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05
Business Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$3,150,174	\$0	\$0	\$3,150,174
Construction in progress	0	4,541,244	0	4,541,244
Total Capital Assets Not Being Depreciated	3,150,174	4,541,244	0	7,691,418
Capital Assets Being Depreciated				
Land Improvements	248,407	0	0	248,407
Buildings	28,010,140	0	0	28,010,140
Equipment and Furniture	5,786,543	73,683	0	5,860,226
Vehicles	763,442	122,366	(98,333)	787,475
Infrastructure	42,552,134	456,219	(45,036)	42,963,317
Total Capital Assets Being Depreciated	77,360,666	652,268	(143,369)	77,869,565
Less Accumulated Depreciation				
Land Improvements	(222,546)	(4,431)	0	(226,977)
Buildings	(7,436,043)	(699,826)	0	(8,135,869)
Equipment and Furniture	(3,848,151)	(238,981)	0	(4,087,132)
Vehicles	(465,378)	(54,041)	98,333	(421,086)
Infrastructure	(12,271,757)	(670,274)	41,572	(12,900,459)
Total Accumulated Depreciation	(24,243,875)	(1,667,553)	139,905	(25,771,523)
Capital Assets Being Depreciated, net	53,116,791	(1,015,285)	(3,464)	52,098,042
Business Type Activities Capital Assets, net	\$56,266,965	\$3,525,959	(\$3,464)	\$59,789,460

* Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	
Police	\$340,569
Fire	376,163
Leisure Time Activities	605,909
Community Environment	690,993
Transportation	1,927,763
General Government	332,642
Total Depreciation Expense	\$4,274,039

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 Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability

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

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.

The claims liability of \$122,602 reported in the general fund at December 31, 2005 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 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$102,384	\$978,658	\$950,771	\$130,271
2005	130,271	875,364	883,033	122,602

City of Solon, Ohio
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Note 11 - Defined Benefit Pension Plans

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, 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 employer's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$1,113,990, \$1,098,450, and \$893,920 respectively; 89.48 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$28,408 made by the City and \$17,821 made by the plan members.

B. OHIO POLICE AND FIRE PENSION FUND

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$356,303 and \$691,418 for the year ended December 31, 2005, \$337,717 and \$648,755 for the year ended December 31, 2004 and \$315,927 and \$566,535 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 73.46 percent and 73.92 percent has been contributed for 2005.

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 benefit recipients and qualified survivor benefit 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$466,593. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment health care benefits were \$235,009 for police and \$329,753 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 13 – Compensated Absences

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

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

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

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

Note 14 - Note Debt

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

	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>
3.75% Matures November 29, 2006				
Community Center Fund	\$4,650,000	\$4,440,000	\$4,650,000	\$4,440,000
Unamortized Premium	31,075	13,220	32,177	12,118
3.75% Matures November 29, 2006				
Building Construction Fund	<u>1,850,000</u>	<u>1,560,000</u>	<u>1,850,000</u>	<u>1,560,000</u>
Total	<u><u>\$6,531,075</u></u>	<u><u>\$6,013,220</u></u>	<u><u>\$6,532,177</u></u>	<u><u>\$6,012,118</u></u>

In 2005, the City issued \$4,440,000 in Various Improvement bond anticipation notes for the construction of the community center which was completed during 2003. These notes mature on November 29, 2006.

In 2005, the City issued \$1,560,000 in Various Improvement bond anticipation notes for various construction projects throughout the City. These notes mature on November 29, 2006.

The community center note was issued at a premium of \$13,220. 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, 2005

Note 15 - Long-Term Obligations

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

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
1993 \$7,350,000 - 5.19%					
New City Hall Construction	\$4,190,000	\$0	(\$370,000)	\$3,820,000	\$390,000
1995 \$6,695,000 - 4.88%					
Various Purpose Refunding	1,915,000	0	(605,000)	1,310,000	640,000
1997 \$3,700,000 - 5.70%					
Library Building	2,770,000	0	(165,000)	2,605,000	175,000
2002 \$12,235,000 - 3.00% to 4.60%					
Community Center	10,165,000	0	(730,000)	9,435,000	755,000
<i>Total General Obligation Bonds</i>	<u>19,040,000</u>	<u>0</u>	<u>(1,870,000)</u>	<u>17,170,000</u>	<u>1,960,000</u>
Special Assessment Bonds with Governmental Commitment					
1985 \$2,100,000 - 8.25%					
Sherbrook Drive	105,000	0	(105,000)	0	0
1992 \$1,500,000 - 6.31%					
County Issued Miles Sewer	617,220	0	(68,835)	548,385	73,424
<i>Total Special Assessment Bonds</i>	<u>722,220</u>	<u>0</u>	<u>(173,835)</u>	<u>548,385</u>	<u>73,424</u>
OWDA Loans					
1993 \$5,894,814 - 4.30%					
Northeast Pump	1,374,628	0	(128,058)	1,246,570	133,624
1997 \$1,249,104 - 4.16%					
Aurora/Liberty Sanitary Sewer	867,924	0	(57,092)	810,832	59,492
2004 \$5,861,485 - 1.87%					
Aurora Road West Draw	5,734,643	0	(256,449)	5,478,194	260,181
2006 \$6,264,787 - 3.35%					
Aurora East Sewer Project	0	3,811,825	0	3,811,825	0
<i>Total OWDA Loans</i>	<u>7,977,195</u>	<u>3,811,825</u>	<u>(441,599)</u>	<u>11,347,421</u>	<u>453,297</u>
OPWC Loans					
1996 \$952,295 - 0%					
Solon Allotment	476,147	0	(47,615)	428,532	47,615
1999 \$195,500 - 0%					
Cochran Project	117,300	0	(13,033)	104,267	13,033
<i>Total OPWC Loans</i>	<u>593,447</u>	<u>0</u>	<u>(60,648)</u>	<u>532,799</u>	<u>60,648</u>
Other Long-term Obligations					
Compensated Absences	2,503,561	217,254	(52,307)	2,668,508	527,568
<i>Total General Long-term Obligations</i>	<u>\$30,836,423</u>	<u>\$4,029,079</u>	<u>(\$2,598,389)</u>	<u>\$32,267,113</u>	<u>\$3,074,937</u>

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

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05	Amounts Due in One Year
Business-type Activities					
OWDA Loans					
1971 \$509,646 - 6.25%					
Treatment Plant Expansion	\$182,288	\$0	(\$23,548)	\$158,740	\$25,020
1993 \$5,894,814 - 4.30%					
Northeast Pump	1,898,296	0	(176,843)	1,721,453	184,529
1996 \$18,763,183 - 3.04%					
Treatment Plant Upgrade and Expansion	11,838,924	0	(921,337)	10,917,587	949,559
1997 \$401,178 - 3.54%					
Treatment Plant Upgrade and Expansion	264,004	0	(20,015)	243,989	20,730
Total OWDA Loans	14,183,512	0	(1,141,743)	13,041,769	1,179,838
Other Long-term Liabilities					
Compensated Absences	497,842	183,541	(120,080)	561,303	175,894
Interfund Loans 4.16% - 4.75%	2,209,120	0	(144,010)	2,065,110	150,238
Total Business-type Activities	\$16,890,474	\$183,541	(\$1,405,833)	\$15,668,182	\$1,505,970

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

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

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

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

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

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

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

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For the Year Ended December 31, 2005

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

In 2004, the City received a \$5,861,485 Ohio Water Development Authority loans for the installation of the Aurora Road West Draw Project. The loan was issued for a twenty year period with a final maturity in 2024.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$6,264,787 for the improvements to the Aurora East Sewer system; however, since this loan is not finalized, the repayment schedule is not included in the schedule of debt service payments.

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

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

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

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

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

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

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

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

At December 31, 2005, the Grantwood recreation enterprise fund has borrowed \$2,065,110 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 \$102,596,142 with an unvoted debt margin of \$43,658,116 at December 31, 2005. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Governmental Activities

	General Obligation Bonds		Special Assessment Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2006	\$1,960,000	\$833,985	\$73,424	\$15,085	\$453,297	\$163,793	\$60,648
2007	2,045,000	745,553	73,424	13,617	465,391	151,700	60,648
2008	1,435,000	650,231	75,719	12,148	477,898	139,192	60,648
2009	1,500,000	585,768	78,013	10,255	490,834	126,256	60,648
2010	1,585,000	516,536	80,308	8,149	504,216	112,874	60,648
2011 - 2015	5,635,000	1,514,050	167,497	8,754	2,354,940	358,900	229,559
2016 - 2020	2,505,000	486,825	0	0	1,637,299	148,686	0
2021 - 2024	505,000	25,250	0	0	1,151,721	33,641	0
Total	\$17,170,000	\$5,358,198	\$548,385	\$68,008	\$7,535,596	\$1,235,042	\$532,799

Business Type Activities

	OWDA Loans	
	Principal	Interest
2006	\$1,179,838	\$415,168
2007	1,219,248	375,758
2008	1,260,021	334,985
2009	1,302,209	292,798
2010	1,345,858	249,147
2011 - 2015	6,734,595	570,019
Total	\$13,041,769	\$2,237,875

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, 2005, \$2,060,000 of these bonds outstanding were considered defeased.

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

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 2005, the City of Solon paid \$275,272 in premiums from the general fund, which represents 17.94 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio, 44146.

Note 17 – Jointly Governed Organization

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Solon did not contribute to NOPEC during 2005. Financial information can be obtained by contacting the Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

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

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 Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers To	Transfer From			Total
	General	G.O. Bond Retirement	Law Enforcement	
<i>Major Funds:</i>				
Water Reclamation	\$152,915	\$24,133	\$0	\$177,048
Grantwood Recreation	9,668	0	0	9,668
Total Major Funds	162,583	24,133	0	186,716
<i>Nonmajor Funds:</i>				
Police Pension	160,000	0	0	160,000
Fire Pension	320,000	0	0	320,000
Cable TV	14,799	0	0	14,799
Recreation	1,496,500	0	0	1,496,500
Senior Services	694,000	0	0	694,000
Landfill Improvement	40,577	0	0	40,577
Donations	70,357	0	3,555	73,912
Safety and Service Equipment	283,000	0	0	283,000
Building Construction	300,000	0	0	300,000
General Capital Improvements	1,080,000	0	0	1,080,000
Total Nonmajor Funds	4,459,233	0	3,555	4,462,788
Total All Funds	\$4,621,816	\$24,133	\$3,555	\$4,649,504

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 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 landfill improvement special revenue fund was

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

to cover the landfill's share of interest earnings per City ordinance. The general fund and law enforcement transfers to the donations special revenue fund was to assist with the purchase of land for a nature preserve. The general fund transfer to the safety and service equipment and the general capital improvements capital projects funds was an occasional subsidy for capital purchases. The general fund transfer to the building construction capital projects fund was to provide payment for the bond anticipation notes payable from \$6,500,000 to \$6,000,000 for year 2005. The general obligation bond retirement debt service fund transfer to the water reclamation enterprise fund was to subsidize an OWDA loan payment.

Note 20 – Subsequent Events

On January 21, 2006, City Council adopted a Joint Economic Development District agreement with neighboring Bainbridge Township. The primary purpose of this agreement was to levy the City of Solon income tax in a newly developed commercial area in Bainbridge Township, and to share the City income tax revenue evenly between Solon and Bainbridge.

On February 21, 2006, City Council authorized the negotiation with an architect for the design of a new Fire Station No. 2 that is estimated to cost \$5 million.

Combining and Individual Fund Statements and Schedules

Fund Descriptions - Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(continued)

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.

Building Construction Fund – to account 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.

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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,250,491	\$2,536,090	\$5,786,581
Accounts Receivable	5,473	0	5,473
Intergovernmental Receivable	546,858	22,077	568,935
Property Taxes Receivable	1,105,110	454,859	1,559,969
<i>Total Assets</i>	<u>\$4,907,932</u>	<u>\$3,013,026</u>	<u>\$7,920,958</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$42,417	\$0	\$42,417
Accrued Wages	31,831	0	31,831
Contracts Payable	6,736	20,414	27,150
Intergovernmental Payable	450,815	0	450,815
Accrued Interest Payable	0	5,363	5,363
Deferred Revenue	1,570,450	476,936	2,047,386
Notes Payable	0	1,560,000	1,560,000
<i>Total Liabilities</i>	<u>2,102,249</u>	<u>2,062,713</u>	<u>4,164,962</u>
Fund Balances			
Reserved for Encumbrances	43,436	88,942	132,378
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	2,762,247	0	2,762,247
Capital Projects Funds	0	861,371	861,371
<i>Total Fund Balances</i>	<u>2,805,683</u>	<u>950,313</u>	<u>3,755,996</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,907,932</u>	<u>\$3,013,026</u>	<u>\$7,920,958</u>

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property Taxes	\$1,044,383	\$427,842	\$1,472,225
Intergovernmental	1,092,033	177,914	1,269,947
Fees, Licenses and Permits	268,093	0	268,093
Rentals	31,992	0	31,992
Charges for Services	2,605,253	40,112	2,645,365
Contributions and Donations	66,282	700	66,982
Miscellaneous	39,196	15,227	54,423
<i>Total Revenues</i>	<u>5,147,232</u>	<u>661,795</u>	<u>5,809,027</u>
Expenditures			
Current:			
Security of Persons and Property			
Police	634,802	0	634,802
Fire	1,023,974	0	1,023,974
Leisure Time Activities	5,091,112	0	5,091,112
Community Environment	102,248	0	102,248
Basic Utility Services	75,046	0	75,046
Transportation	1,034,000	0	1,034,000
Capital Outlay	0	2,918,738	2,918,738
Debt Service:			
Interest and Fiscal Charges	0	51,857	51,857
<i>Total Expenditures</i>	<u>7,961,182</u>	<u>2,970,595</u>	<u>10,931,777</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,813,950)</u>	<u>(2,308,800)</u>	<u>(5,122,750)</u>
Other Financing Sources (Uses)			
Transfers In	2,799,788	1,663,000	4,462,788
Transfers Out	(3,555)	0	(3,555)
<i>Total Other Financing Sources (Uses)</i>	<u>2,796,233</u>	<u>1,663,000</u>	<u>4,459,233</u>
<i>Net Change in Fund Balances</i>	(17,717)	(645,800)	(663,517)
<i>Fund Balances Beginning of Year</i>	<u>2,823,400</u>	<u>1,596,113</u>	<u>4,419,513</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,805,683</u></u>	<u><u>\$950,313</u></u>	<u><u>\$3,755,996</u></u>

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

	Street Construction, Maintenance and Repair	State Highway	Police Pension	Fire Pension	Cable TV
Assets					
Equity in Pooled Cash and Cash Equivalents	\$331,609	\$75,090	\$100,847	\$86,930	\$490,844
Accounts Receivable	0	0	0	0	0
Intergovernmental Receivable	453,138	36,825	22,716	34,074	0
Property Taxes Receivable	0	0	442,044	663,066	0
<i>Total Assets</i>	<u>\$784,747</u>	<u>\$111,915</u>	<u>\$565,607</u>	<u>\$784,070</u>	<u>\$490,844</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$5,905
Accrued Wages	0	0	0	0	0
Contracts Payable	0	0	0	0	6,581
Intergovernmental Payable	0	0	156,913	266,335	187
Deferred Revenue	377,856	30,694	464,760	697,140	0
<i>Total Liabilities</i>	<u>377,856</u>	<u>30,694</u>	<u>621,673</u>	<u>963,475</u>	<u>12,673</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	0	348
Unreserved, Undesignated (Deficit)	406,891	81,221	(56,066)	(179,405)	477,823
<i>Total Fund Balances</i>	<u>406,891</u>	<u>81,221</u>	<u>(56,066)</u>	<u>(179,405)</u>	<u>478,171</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$784,747</u>	<u>\$111,915</u>	<u>\$565,607</u>	<u>\$784,070</u>	<u>\$490,844</u>

Tree Planting	Street Lighting	Recreation	Senior Services	Police Department Programs	Landfill Improvement	Law Enforcement Trust
\$232,556	\$377	\$100,358	\$165,271	\$192,673	\$1,355,704	\$67,522
0	0	4,738	385	0	350	0
0	0	0	0	0	0	105
0	0	0	0	0	0	0
<u>\$232,556</u>	<u>\$377</u>	<u>\$105,096</u>	<u>\$165,656</u>	<u>\$192,673</u>	<u>\$1,356,054</u>	<u>\$67,627</u>
\$0	\$0	\$27,059	\$6,045	\$259	\$3,121	\$0
0	0	20,000	11,831	0	0	0
0	0	155	0	0	0	0
0	0	18,794	8,586	0	0	0
0	0	0	0	0	0	0
0	0	66,008	26,462	259	3,121	0
0	0	28,327	14,687	0	0	74
<u>232,556</u>	<u>377</u>	<u>10,761</u>	<u>124,507</u>	<u>192,414</u>	<u>1,352,933</u>	<u>67,553</u>
<u>232,556</u>	<u>377</u>	<u>39,088</u>	<u>139,194</u>	<u>192,414</u>	<u>1,352,933</u>	<u>67,627</u>
<u>\$232,556</u>	<u>\$377</u>	<u>\$105,096</u>	<u>\$165,656</u>	<u>\$192,673</u>	<u>\$1,356,054</u>	<u>\$67,627</u>

(continued)

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

	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	\$41,209	\$3,250,491
Accounts Receivable	0	0	0	5,473
Intergovernmental Receivable	0	0	0	546,858
Property Taxes Receivable	0	0	0	1,105,110
<i>Total Assets</i>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$41,209</u>	<u>\$4,907,932</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$28	\$42,417
Accrued Wages	0	0	0	31,831
Contracts Payable	0	0	0	6,736
Intergovernmental Payable	0	0	0	450,815
Deferred Revenue	0	0	0	1,570,450
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>28</u>	<u>2,102,249</u>
Fund Balances				
Reserved for Encumbrances	0	0	0	43,436
Unreserved, Undesignated (Deficit)	4,000	5,501	41,181	2,762,247
<i>Total Fund Balances</i>	<u>4,000</u>	<u>5,501</u>	<u>41,181</u>	<u>2,805,683</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$41,209</u>	<u>\$4,907,932</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, 2005

	Street Construction, Maintenance and Repair	State Highway	Police Pension	Fire Pension	Cable TV
Revenues					
Property Taxes	\$0	\$0	\$417,753	\$626,630	\$0
Intergovernmental	882,090	71,548	46,784	70,177	0
Fees, Licenses and Permits	0	0	0	0	232,597
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>882,090</u>	<u>71,548</u>	<u>464,537</u>	<u>696,807</u>	<u>240,097</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	0	0	592,830	0	0
Fire	0	0	0	1,023,974	0
Leisure Time Activities	0	0	0	0	281,502
Community Environment	0	0	0	0	0
Basic Utility Services	0	0	0	0	0
Transportation	1,001,000	33,000	0	0	0
<i>Total Expenditures</i>	<u>1,001,000</u>	<u>33,000</u>	<u>592,830</u>	<u>1,023,974</u>	<u>281,502</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(118,910)</u>	<u>38,548</u>	<u>(128,293)</u>	<u>(327,167)</u>	<u>(41,405)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	160,000	320,000	14,799
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>160,000</u>	<u>320,000</u>	<u>14,799</u>
<i>Net Change in Fund Balances</i>	<u>(118,910)</u>	<u>38,548</u>	<u>31,707</u>	<u>(7,167)</u>	<u>(26,606)</u>
<i>Fund Balances (Deficits)</i>					
<i>Beginning of Year</i>	<u>525,801</u>	<u>42,673</u>	<u>(87,773)</u>	<u>(172,238)</u>	<u>504,777</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$406,891</u>	<u>\$81,221</u>	<u>(\$56,066)</u>	<u>(\$179,405)</u>	<u>\$478,171</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, 2005

	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	31,992	0
Charges for Services	16,330	0	2,102,639	486,284	0
Contributions and Donations	0	0	0	29,835	21,700
Miscellaneous	0	0	5,884	25,812	0
<i>Total Revenues</i>	<u>16,330</u>	<u>0</u>	<u>2,108,523</u>	<u>573,923</u>	<u>21,700</u>
Expenditures					
Current:					
Security of Persons and Property					
Police	0	0	0	0	11,350
Fire	0	0	0	0	0
Leisure Time Activities	0	0	3,594,438	1,213,076	0
Community Environment	0	0	0	0	0
Basic Utility Services	0	0	0	0	0
Transportation	0	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>0</u>	<u>3,594,438</u>	<u>1,213,076</u>	<u>11,350</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>16,330</u>	<u>0</u>	<u>(1,485,915)</u>	<u>(639,153)</u>	<u>10,350</u>
Other Financing Sources (Uses)					
Transfers In	0	0	1,496,500	694,000	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>1,496,500</u>	<u>694,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	16,330	0	10,585	54,847	10,350
<i>Fund Balances (Deficits)</i>					
<i>Beginning of Year</i>	<u>216,226</u>	<u>377</u>	<u>28,503</u>	<u>84,347</u>	<u>182,064</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$232,556</u>	<u>\$377</u>	<u>\$39,088</u>	<u>\$139,194</u>	<u>\$192,414</u>

Landfill Improvement	Law Enforcement Trust	Community Improvement Corporation	Cemetery Endowment Trust	Donations Trust	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$1,044,383
0	21,434	0	0	0	1,092,033
35,496	0	0	0	0	268,093
0	0	0	0	0	31,992
0	0	0	0	0	2,605,253
0	0	0	0	14,747	66,282
0	0	0	0	0	39,196
<u>35,496</u>	<u>21,434</u>	<u>0</u>	<u>0</u>	<u>14,747</u>	<u>5,147,232</u>
0	27,619	0	0	3,003	634,802
0	0	0	0	0	1,023,974
0	0	0	0	2,096	5,091,112
0	0	0	0	102,248	102,248
75,046	0	0	0	0	75,046
0	0	0	0	0	1,034,000
<u>75,046</u>	<u>27,619</u>	<u>0</u>	<u>0</u>	<u>107,347</u>	<u>7,961,182</u>
<u>(39,550)</u>	<u>(6,185)</u>	<u>0</u>	<u>0</u>	<u>(92,600)</u>	<u>(2,813,950)</u>
40,577	0	0	0	73,912	2,799,788
0	(3,555)	0	0	0	(3,555)
<u>40,577</u>	<u>(3,555)</u>	<u>0</u>	<u>0</u>	<u>73,912</u>	<u>2,796,233</u>
1,027	(9,740)	0	0	(18,688)	(17,717)
<u>1,351,906</u>	<u>77,367</u>	<u>4,000</u>	<u>5,501</u>	<u>59,869</u>	<u>2,823,400</u>
<u>\$1,352,933</u>	<u>\$67,627</u>	<u>\$4,000</u>	<u>\$5,501</u>	<u>\$41,181</u>	<u>\$2,805,683</u>

City of Solon, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	Safety and Service Equipment	Old City Hall Renovations	Building Construction	General Capital Improvements	Total Nonmajor Capital Projects Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$193,221	\$131,251	\$621,675	\$1,589,943	\$2,536,090
Intergovernmental Receivable	22,077	0	0	0	22,077
Property Taxes Receivable	454,859	0	0	0	454,859
<i>Total Assets</i>	<u>\$670,157</u>	<u>\$131,251</u>	<u>\$621,675</u>	<u>\$1,589,943</u>	<u>\$3,013,026</u>
Liabilities and Fund Balances					
Liabilities					
Contracts Payable	\$0	\$0	\$50	\$20,364	\$20,414
Accrued Interest Payable	0	0	5,363	0	5,363
Deferred Revenue	476,936	0	0	0	476,936
Notes Payable	0	0	1,560,000	0	1,560,000
<i>Total Liabilities</i>	<u>476,936</u>	<u>0</u>	<u>1,565,413</u>	<u>20,364</u>	<u>2,062,713</u>
Fund Balances					
Reserved for Encumbrances Unreserved, Undesignated (Deficit)	27,456	0	61,326	160	88,942
	165,765	131,251	(1,005,064)	1,569,419	861,371
<i>Total Fund Balances</i>	<u>193,221</u>	<u>131,251</u>	<u>(943,738)</u>	<u>1,569,579</u>	<u>950,313</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$670,157</u>	<u>\$131,251</u>	<u>\$621,675</u>	<u>\$1,589,943</u>	<u>\$3,013,026</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, 2005

	Safety and Service Equipment	Old City Hall Renovations	Building Construction	General Capital Improvements	Total Nonmajor Capital Projects Funds
Revenues					
Property Taxes	\$427,842	\$0	\$0	\$0	\$427,842
Intergovernmental	45,845	0	40,875	91,194	177,914
Charges for Services	0	0	0	40,112	40,112
Contributions and Donations	0	0	0	700	700
Miscellaneous	15,227	0	0	0	15,227
<i>Total Revenues</i>	<u>488,914</u>	<u>0</u>	<u>40,875</u>	<u>132,006</u>	<u>661,795</u>
Expenditures					
Capital Outlay	833,767	9,097	116,203	1,959,671	2,918,738
Debt Service:					
Interest and Fiscal Charges	0	0	51,857	0	51,857
<i>Total Expenditures</i>	<u>833,767</u>	<u>9,097</u>	<u>168,060</u>	<u>1,959,671</u>	<u>2,970,595</u>
<i>Excess of Revenues Under Expenditures</i>	(344,853)	(9,097)	(127,185)	(1,827,665)	(2,308,800)
Other Financing Sources					
Transfers In	283,000	0	300,000	1,080,000	1,663,000
<i>Net Change in Fund Balances</i>	(61,853)	(9,097)	172,815	(747,665)	(645,800)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>255,074</u>	<u>140,348</u>	<u>(1,116,553)</u>	<u>2,317,244</u>	<u>1,596,113</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$193,221</u>	<u>\$131,251</u>	<u>(\$943,738)</u>	<u>\$1,569,579</u>	<u>\$950,313</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 college 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, 2005

	Beginning Balance 12/31/04	Additions	Deductions	Ending Balance 12/31/05
<i>Inspection Deposits Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$935,775</u>	<u>\$311,871</u>	<u>\$271,245</u>	<u>\$976,401</u>
Liabilities				
Deposits Held and Due to Others	<u>\$935,775</u>	<u>\$311,871</u>	<u>\$271,245</u>	<u>\$976,401</u>
 <i>DARE Scholarship Fund</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,318</u>	<u>\$50</u>	<u>\$0</u>	<u>\$1,368</u>
Liabilities				
Deposits Held and Due to Others	<u>\$1,318</u>	<u>\$50</u>	<u>\$0</u>	<u>\$1,368</u>
 <i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$937,093</u>	<u>\$311,921</u>	<u>\$271,245</u>	<u>\$977,769</u>
Liabilities				
Deposits Held and Due to Others	<u>\$937,093</u>	<u>\$311,921</u>	<u>\$271,245</u>	<u>\$977,769</u>

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

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$780,900	\$780,900	\$752,539	(\$28,361)
Municipal Income Taxes	22,562,500	22,562,500	22,570,179	7,679
Other Local Taxes	600,350	600,350	693,951	93,601
Intergovernmental	1,554,632	1,554,632	1,474,416	(80,216)
Investment Income	1,482,187	1,482,187	1,652,880	170,693
Fees, Licenses and Permits	757,000	757,000	753,997	(3,003)
Fines and Forfeitures	311,000	311,000	326,762	15,762
Charges for Services	644,837	644,837	825,733	180,896
Miscellaneous	22,000	22,000	33,071	11,071
Total Revenues	28,715,406	28,715,406	29,083,528	368,122
Expenditures				
Current:				
Security of Persons and Property				
Police				
Personal Services	5,069,227	5,658,664	5,449,740	208,924
Materials and Supplies	280,179	312,874	312,874	0
Contractual Services	345,312	385,789	380,020	5,769
Capital Outlay	25,628	28,592	25,728	2,864
Total Police	5,720,346	6,385,919	6,168,362	217,557
Fire				
Personal Services	4,706,080	5,253,287	5,167,735	85,552
Materials and Supplies	193,521	215,165	214,425	740
Contractual Services	199,104	222,235	204,748	17,487
Capital Outlay	12,476	13,914	2,663	11,251
Total Fire	5,111,181	5,704,601	5,589,571	115,030
Prosecutor				
Personal Services	131,190	146,085	132,620	13,465
Materials and Supplies	177,453	198,614	198,614	0
Total Prosecutor	308,643	344,699	331,234	13,465
Teen Court				
Personal Services	19,835	22,200	19,573	2,627
Materials and Supplies	1,966	2,200	1,169	1,031
Total Teen Court	21,801	24,400	20,742	3,658
Total Prosecutor	330,444	369,099	351,976	17,123
Total Security of Persons and Property	\$11,161,971	\$12,459,619	\$12,109,909	\$349,710

(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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Health and Welfare				
Cemetery				
Personal Services	\$40,975	\$45,740	\$44,612	\$1,128
Materials and Supplies	7,594	8,500	6,162	2,338
Total Cemetery	48,569	54,240	50,774	3,466
County Health District				
Contractual Services	73,000	73,037	73,037	0
Total Public Health and Welfare	121,569	127,277	123,811	3,466
Community Environment				
Planning and Zoning				
Personal Services	411,001	458,213	425,576	32,637
Materials and Supplies	7,321	8,170	5,673	2,497
Contractual Services	19,277	21,012	11,522	9,490
Capital Outlay	5,361	6,000	2,642	3,358
Total Planning and Zoning	442,960	493,395	445,413	47,982
Development Board				
Personal Services	14,813	16,255	11,591	4,664
Materials and Supplies	5,450	6,100	5,080	1,020
Contractual Services	27,697	31,000	27,848	3,152
Total Development Board	47,960	53,355	44,519	8,836
Building Department				
Personal Services	475,266	530,306	493,512	36,794
Materials and Supplies	15,723	17,575	16,722	853
Contractual Services	32,878	36,500	36,296	204
Capital Outlay	15,051	16,830	7,147	9,683
Total Building Department	538,918	601,211	553,677	47,534
Engineering Department				
Personal Services	781,348	871,654	790,940	80,714
Materials and Supplies	27,822	30,725	29,174	1,551
Contractual Services	179,340	197,133	172,747	24,386
Capital Outlay	15,635	17,500	3,424	14,076
Total Engineering Department	\$1,004,145	\$1,117,012	\$996,285	\$120,727

(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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beautification Commission				
Personal Services	\$10,623	\$11,705	\$9,104	\$2,601
Materials and Supplies	15,572	17,119	16,715	404
Contractual Services	26,310	29,447	29,447	0
Capital Outlay	11,213	12,550	10,750	1,800
Total Beautification Commission	63,718	70,821	66,016	4,805
Total Community Environment	2,097,701	2,335,794	2,105,910	229,884
Basic Utility Services				
Storm Sewers				
Personal Services	244,788	273,196	244,000	29,196
Materials and Supplies	17,533	19,344	15,547	3,797
Contractual Services	4,467	5,000	3,360	1,640
Total Storm Sewers	266,788	297,540	262,907	34,633
Trees, Leaf and Brush				
Personal Services	83,139	92,813	87,025	5,788
Materials and Supplies	2,761	3,077	3,077	0
Contractual Services	33,951	38,000	45,679	(7,679)
Total Trees, Leaf and Brush	119,851	133,890	135,781	(1,891)
Refuse Collection and Disposal				
Personal Services	942,954	1,052,258	1,064,472	(12,214)
Materials and Supplies	123,216	137,280	153,034	(15,754)
Contractual Services	40,206	45,000	39,881	5,119
Total Refuse Collection and Disposal	1,106,376	1,234,538	1,257,387	(22,849)
Total Basic Utility Services	1,493,015	1,665,968	1,656,075	9,893
Transportation				
Street Lighting				
Contractual Services	594,394	664,836	666,077	(1,241)
Street Department				
Personal Services	1,527,606	1,702,549	1,694,213	8,336
Materials and Supplies	1,355,958	1,508,725	1,496,000	12,725
Contractual Services	143,798	160,766	160,766	0
Capital Outlay	45,838	51,304	44,599	6,705
Total Street Department	3,073,200	3,423,344	3,395,578	27,766
Total Transportation	\$3,667,594	\$4,088,180	\$4,061,655	\$26,525

(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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government				
Council				
Personal Services	\$253,419	\$282,357	\$260,601	\$21,756
Materials and Supplies	13,745	15,370	15,370	0
Contractual Services	25,577	28,400	20,395	8,005
Capital Outlay	893	1,000	135	865
Total Council	293,634	327,127	296,501	30,626
Mayor				
Personal Services	211,582	236,012	229,881	6,131
Materials and Supplies	5,496	6,103	3,979	2,124
Contractual Services	6,575	7,321	4,374	2,947
Capital Outlay	1,430	1,600	0	1,600
Total Mayor	225,083	251,036	238,234	12,802
Finance				
Personal Services	570,055	635,952	631,177	4,775
Materials and Supplies	20,860	23,348	23,348	0
Contractual Services	78,532	87,876	66,505	21,371
Capital Outlay	1,787	2,000	1,291	709
Total Finance	671,234	749,176	722,321	26,855
Legal Department				
Personal Services	68,695	76,153	66,308	9,845
Contractual Services	120,617	135,000	123,665	11,335
Total Legal Department	189,312	211,153	189,973	21,180
Human Resources				
Personal Services	223,210	249,119	235,455	13,664
Materials and Supplies	3,372	3,775	1,404	2,371
Contractual Services	93,595	104,421	100,534	3,887
Capital Outlay	6,799	7,602	6,834	768
Total Human Resources	326,976	364,917	344,227	20,690
Civil Service				
Personal Services	3,680	4,012	4,012	0
Materials and Supplies	468	524	193	331
Contractual Services	20,073	22,467	22,467	0
Total Civil Service	24,221	27,003	26,672	331
City Hall				
Personal Services	141,854	158,365	153,078	5,287
Materials and Supplies	402	450	40	410
Contractual Services	1,481	1,641	1,363	278
Capital Outlay	1,427,455	1,597,676	1,610,179	(12,503)
Total City Hall	\$1,571,192	\$1,758,132	\$1,764,660	(\$6,528)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Income Tax Department				
Personal Services	\$269,785	\$300,942	\$292,694	\$8,248
Materials and Supplies	43,902	48,254	48,254	0
Contractual Services	40,303	45,006	45,006	0
Capital Outlay	1,047,084	1,173,438	954,381	219,057
Total Income Tax Department	1,401,074	1,567,640	1,340,335	227,305
Unclaimed Monies				
Other	58,968	66,000	889	65,111
City Administration				
Personal Services	50,546	56,550	53,666	2,884
Materials and Supplies	134,450	149,739	135,863	13,876
Contractual Services	961,302	1,083,299	1,000,196	83,103
Capital Outlay	17,869	20,000	17,931	2,069
Other	81,305	91,000	79,910	11,090
Total City Administration	1,245,472	1,400,588	1,287,566	113,022
Sick Leave Reserve				
Personal Services	63,435	71,000	117,008	(46,008)
Payroll Benefits Account				
Personal Services	309,672	346,600	973	345,627
Total General Government	6,380,273	7,140,372	6,329,359	811,013
Total Expenditures	24,922,123	27,817,210	26,386,719	1,430,491
Excess of Revenues Over Expenditures	3,793,283	898,196	2,696,809	1,798,613
Other Financing Sources (Uses)				
Sale of Capital Assets	169,563	169,563	169,563	0
Interfund Loan Repayments	144,010	144,010	144,010	0
Transfers Out	(6,815,307)	(4,813,428)	(4,621,816)	191,612
Total Other Financing Sources (Uses)	(6,501,734)	(4,499,855)	(4,308,243)	191,612
Net Change in Fund Balance	(2,708,451)	(3,601,659)	(1,611,434)	1,990,225
Fund Balance Beginning of Year	24,350,567	24,350,567	24,350,567	0
Prior Year Encumbrances Appropriated	656,829	656,829	656,829	0
Fund Balance End of Year	\$22,298,945	\$21,405,737	\$23,395,962	\$1,990,225

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, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,229,779	\$2,229,779	\$2,274,960	\$45,181
Special Assessments	1,130,000	1,130,000	1,083,930	(46,070)
Intergovernmental	264,225	264,225	264,225	0
Fees, Licenses and Permits	81,393	81,393	84,959	3,566
<i>Total Revenues</i>	<u>3,705,397</u>	<u>3,705,397</u>	<u>3,708,074</u>	<u>2,677</u>
Expenditures				
Current:				
General Government				
Legislative and Executive				
Contractual Services	26,000	29,439	29,439	0
Other	5,000	26,830	26,830	0
Total Legislative and Executive	<u>31,000</u>	<u>56,269</u>	<u>56,269</u>	<u>0</u>
Debt Service:				
Principal Retirement	9,000,000	8,986,441	8,986,441	0
Interest and Fiscal Charges	1,333,000	1,327,290	1,326,815	475
Total Debt Service	<u>10,333,000</u>	<u>10,313,731</u>	<u>10,313,256</u>	<u>475</u>
<i>Total Expenditures</i>	<u>10,364,000</u>	<u>10,370,000</u>	<u>10,369,525</u>	<u>475</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(6,658,603)</u>	<u>(6,664,603)</u>	<u>(6,661,451)</u>	<u>3,152</u>
Other Financing Sources				
General Obligation Notes Issued	6,000,000	6,000,000	6,000,000	0
Premium on Notes	0	0	13,220	13,220
Transfers In	0	300,000	300,000	0
Total Other Financing Sources	<u>6,000,000</u>	<u>6,300,000</u>	<u>6,313,220</u>	<u>13,220</u>
<i>Net Change in Fund Balance</i>	<u>(658,603)</u>	<u>(364,603)</u>	<u>(348,231)</u>	<u>16,372</u>
<i>Fund Balance Beginning of Year</i>	<u>2,344,768</u>	<u>2,344,768</u>	<u>2,344,768</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,686,165</u></u>	<u><u>\$1,980,165</u></u>	<u><u>\$1,996,537</u></u>	<u><u>\$16,372</u></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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Municipal Income Taxes	\$6,711,083	\$7,012,054	\$7,037,500	\$25,446
Intergovernmental	0	0	93,735	93,735
<i>Total Revenues</i>	<u>6,711,083</u>	<u>7,012,054</u>	<u>7,131,235</u>	<u>119,181</u>
Expenditures				
Capital Outlay	17,853,942	17,853,942	12,613,110	5,240,832
Debt Service:				
Principal Retirement	60,648	60,648	60,648	0
<i>Total Expenditures</i>	<u>17,914,590</u>	<u>17,914,590</u>	<u>12,673,758</u>	<u>5,240,832</u>
<i>Excess of Revenues Under Expenditures</i>	(11,203,507)	(10,902,536)	(5,542,523)	5,360,013
Other Financing Sources				
OWDA Loans Issued	0	0	3,811,825	3,811,825
<i>Net Change in Fund Balance</i>	(11,203,507)	(10,902,536)	(1,730,698)	9,171,838
<i>Fund Balance Beginning of Year</i>	11,933,872	11,933,872	11,933,872	0
Prior Year Encumbrances Appropriated	2,914,590	2,914,590	2,914,590	0
<i>Fund Balance End of Year</i>	<u>\$3,644,955</u>	<u>\$3,945,926</u>	<u>\$13,117,764</u>	<u>\$9,171,838</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, 2005

	<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>608,655</u>	<u>608,655</u>	<u>106,473</u>	<u>502,182</u>
<i>Net Change in Fund Balance</i>	(608,655)	(608,655)	(106,473)	502,182
<i>Fund Balance Beginning of Year</i>	637,692	637,692	637,692	0
Prior Year Encumbrances Appropriated	<u>8,655</u>	<u>8,655</u>	<u>8,655</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$37,692</u></u>	<u><u>\$37,692</u></u>	<u><u>\$539,874</u></u>	<u><u>\$502,182</u></u>

City of Solon, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Reclamation Fund
For the Year Ended December 31, 2005

	<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	\$4,755,000	\$4,755,000	\$4,792,064	\$37,064
Tap-In Fees	500,000	500,000	447,415	(52,585)
Miscellaneous	11,000	11,000	41,476	30,476
<i>Total Revenues</i>	<u>5,266,000</u>	<u>5,266,000</u>	<u>5,280,955</u>	<u>14,955</u>
Expenses				
Personal Services	1,991,264	1,975,405	1,839,164	136,241
Materials and Supplies	335,536	351,395	351,395	0
Contractual Services	1,486,110	1,486,110	956,201	529,909
Other	41,678	41,678	36,330	5,348
Capital Outlay	2,634,791	2,634,791	959,318	1,675,473
Debt Service:				
Principal Retirement	1,141,745	1,141,745	1,140,736	1,009
Interest and Fiscal Charges	453,264	453,264	418,878	34,386
<i>Total Expenses</i>	<u>8,084,388</u>	<u>8,084,388</u>	<u>5,702,022</u>	<u>2,382,366</u>
<i>Excess of Revenues Under Expenses</i>	(2,818,388)	(2,818,388)	(421,067)	2,397,321
Transfers In	110,000	110,000	152,915	42,915
<i>Net Change in Fund Equity</i>	(2,708,388)	(2,708,388)	(268,152)	2,440,236
<i>Fund Equity Beginning of Year</i>	5,784,479	5,784,479	5,784,479	0
Prior Year Encumbrances Appropriated	661,091	661,091	661,091	0
<i>Fund Equity End of Year</i>	<u>\$3,737,182</u>	<u>\$3,737,182</u>	<u>\$6,177,418</u>	<u>\$2,440,236</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Charges for Services	\$1,261,686	\$1,261,686	\$1,223,408	(\$38,278)
Rentals	237,500	237,500	234,249	(3,251)
Miscellaneous	10,000	10,000	11,058	1,058
<i>Total Revenues</i>	<u>1,509,186</u>	<u>1,509,186</u>	<u>1,468,715</u>	<u>(40,471)</u>
Expenses				
Personal Services	664,559	664,559	664,559	0
Materials and Supplies	398,064	398,064	398,064	0
Contractual Services	174,914	174,914	174,914	0
Capital Outlay	34,852	34,852	34,852	0
Debt Service:				
Principal Retirement	144,010	144,010	144,010	0
Interest and Fiscal Charges	91,989	91,989	90,746	1,243
<i>Total Expenses</i>	<u>1,508,388</u>	<u>1,508,388</u>	<u>1,507,145</u>	<u>1,243</u>
<i>Excess of Revenues Over (Under) Expenses</i>	798	798	(38,430)	(39,228)
Transfers In	4,000	4,000	9,668	5,668
<i>Net Change in Fund Equity</i>	4,798	4,798	(28,762)	(33,560)
<i>Fund Equity Beginning of Year</i>	236,053	236,053	236,053	0
Prior Year Encumbrances Appropriated	13,206	13,206	13,206	0
<i>Fund Equity End of Year</i>	<u>\$254,057</u>	<u>\$254,057</u>	<u>\$220,497</u>	<u>(\$33,560)</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, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$823,250	\$823,250	\$575,381	(\$247,869)
Expenditures				
Current:				
Transportation				
Street Maintenance and Repair				
Contractual Services	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,001,000</u>	<u>99,000</u>
<i>Net Change in Fund Balance</i>	(276,750)	(276,750)	(425,619)	(148,869)
<i>Fund Balance Beginning of Year</i>	<u>457,228</u>	<u>457,228</u>	<u>457,228</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$180,478</u>	<u>\$180,478</u>	<u>\$31,609</u>	<u>(\$148,869)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$66,750	\$66,750	\$70,977	\$4,227
Expenditures				
Current:				
Transportation				
State Highway				
Contractual Services	50,000	50,000	33,000	17,000
<i>Net Change in Fund Balance</i>	16,750	16,750	37,977	21,227
<i>Fund Balance Beginning of Year</i>	37,113	37,113	37,113	0
<i>Fund Balance End of Year</i>	<u>\$53,863</u>	<u>\$53,863</u>	<u>\$75,090</u>	<u>\$21,227</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$424,720	\$424,720	\$417,753	(\$6,967)
Intergovernmental	46,784	46,784	46,784	0
<i>Total Revenues</i>	471,504	471,504	464,537	(6,967)
Expenditures				
Current:				
Security of Persons and Property				
Police				
Personal Services	620,000	620,000	582,639	37,361
<i>Excess of Revenues Under Expenditures</i>	(148,496)	(148,496)	(118,102)	30,394
Other Financing Sources				
Transfers In	150,000	150,000	160,000	10,000
<i>Net Change in Fund Balance</i>	1,504	1,504	41,898	40,394
<i>Fund Balance Beginning of Year</i>	58,949	58,949	58,949	0
<i>Fund Balance End of Year</i>	<u>\$60,453</u>	<u>\$60,453</u>	<u>\$100,847</u>	<u>\$40,394</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$637,080	\$637,080	\$626,630	(\$10,450)
Intergovernmental	70,177	70,177	70,177	0
<i>Total Revenues</i>	707,257	707,257	696,807	(10,450)
Expenditures				
Current:				
Security of Persons and Property				
Fire				
Personal Services	1,000,000	1,000,000	995,767	4,233
<i>Excess of Revenues Under Expenditures</i>	(292,743)	(292,743)	(298,960)	(6,217)
Other Financing Sources				
Transfers In	300,000	300,000	320,000	20,000
<i>Net Change in Fund Balance</i>	7,257	7,257	21,040	13,783
<i>Fund Balance Beginning of Year</i>	65,890	65,890	65,890	0
<i>Fund Balance End of Year</i>	<u>\$73,147</u>	<u>\$73,147</u>	<u>\$86,930</u>	<u>\$13,783</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees, Licenses and Permits	\$228,550	\$228,550	\$232,597	\$4,047
Miscellaneous	7,500	7,500	7,500	0
<i>Total Revenues</i>	<u>236,050</u>	<u>236,050</u>	<u>240,097</u>	<u>4,047</u>
Expenditures				
Current:				
Leisure Time Activities				
Cable TV				
Personal Services	5,204	5,700	4,549	1,151
Materials and Supplies	10,913	12,200	8,562	3,638
Contractual Services	101,576	113,321	103,692	9,629
Capital Outlay	45,708	51,100	48,923	2,177
Other	93,920	105,000	103,451	1,549
<i>Total Expenditures</i>	<u>257,321</u>	<u>287,321</u>	<u>269,177</u>	<u>18,144</u>
<i>Excess of Revenues Under Expenditures</i>	(21,271)	(51,271)	(29,080)	22,191
Other Financing Sources				
Transfers In	12,000	12,000	14,799	2,799
<i>Net Change in Fund Balance</i>	(9,271)	(39,271)	(14,281)	24,990
<i>Fund Balance Beginning of Year</i>	501,756	501,756	501,756	0
Prior Year Encumbrances Appropriated	3,021	3,021	3,021	0
<i>Fund Balance End of Year</i>	<u>\$495,506</u>	<u>\$465,506</u>	<u>\$490,496</u>	<u>\$24,990</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, 2005

	<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	\$16,000	\$16,000	\$16,330	\$330
Expenditures				
Current:				
General Government				
Tree Planting				
Contractual Services	200,000	200,000	0	200,000
<i>Net Change in Fund Balance</i>	(184,000)	(184,000)	16,330	200,330
<i>Fund Balance Beginning of Year</i>	216,226	216,226	216,226	0
<i>Fund Balance End of Year</i>	<u>\$32,226</u>	<u>\$32,226</u>	<u>\$232,556</u>	<u>\$200,330</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures	0	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	377	377	377	0
<i>Fund Balance End of Year</i>	<u>\$377</u>	<u>\$377</u>	<u>\$377</u>	<u>\$0</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for Services	\$2,161,000	\$2,161,000	\$2,102,613	(\$58,387)
Miscellaneous	7,750	7,750	5,884	(1,866)
<i>Total Revenues</i>	<u>2,168,750</u>	<u>2,168,750</u>	<u>2,108,497</u>	<u>(60,253)</u>
Expenditures				
Current:				
Leisure Time Activities				
Administration				
Personal Services	576,672	495,848	495,848	0
Materials and Supplies	65,036	70,156	70,156	0
Contractual Services	32,054	32,054	30,840	1,214
Other	50,000	8,016	5,265	2,751
Total Administration	<u>723,762</u>	<u>606,074</u>	<u>602,109</u>	<u>3,965</u>
Recreation Programs				
Personal Services	182,440	179,256	175,940	3,316
Materials and Supplies	32,874	23,507	15,691	7,816
Contractual Services	57,200	66,567	66,567	0
Capital Outlay	15,000	11,312	6,394	4,918
Other	21,000	23,815	23,815	0
Total Recreation Programs	<u>308,514</u>	<u>304,457</u>	<u>288,407</u>	<u>16,050</u>
Swimming Pools				
Personal Services	285,878	154,574	154,574	0
Materials and Supplies	45,000	42,001	42,001	0
Contractual Services	45,000	51,346	51,346	0
Total Swimming Pools	<u>375,878</u>	<u>247,921</u>	<u>247,921</u>	<u>0</u>
Community Parks				
Personal Services	275,302	266,258	266,258	0
Materials and Supplies	103,934	120,345	120,345	0
Contractual Services	55,244	59,697	59,697	0
Total Community Parks	<u>\$434,480</u>	<u>\$446,300</u>	<u>\$446,300</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Concession Stand				
Personal Services	\$18,114	\$8,187	\$8,187	\$0
Materials and Supplies	18,000	5,814	5,814	0
Total Concession Stand	<u>36,114</u>	<u>14,001</u>	<u>14,001</u>	<u>0</u>
Youth Recreation Programs				
Personal Services	195,061	194,827	194,827	0
Materials and Supplies	153,901	129,836	129,836	0
Contractual Services	251,315	292,730	292,730	0
Total Youth Recreation Programs	<u>600,277</u>	<u>617,393</u>	<u>617,393</u>	<u>0</u>
Adult Recreation Programs				
Materials and Supplies	5,800	1,958	1,958	0
Contractual Services	5,750	7,559	7,559	0
Total Adult Recreation Programs	<u>11,550</u>	<u>9,517</u>	<u>9,517</u>	<u>0</u>
Holiday Programs				
Materials and Supplies	8,000	8,289	8,289	0
Contractual Services	30,152	31,349	31,349	0
Total Holiday Programs	<u>38,152</u>	<u>39,638</u>	<u>39,638</u>	<u>0</u>
Community Center				
Personal Services	601,497	792,531	792,531	0
Materials and Supplies	78,545	146,393	146,393	0
Contractual Services	411,728	422,215	422,215	0
Capital Outlay	1,000	1,873	1,873	0
Other	5,000	8,184	8,184	0
Total Community Center	<u>1,097,770</u>	<u>1,371,196</u>	<u>1,371,196</u>	<u>0</u>
<i>Total Expenditures</i>	<u>3,626,497</u>	<u>3,656,497</u>	<u>3,636,482</u>	<u>20,015</u>
<i>Excess of Revenues Under Expenditures</i>	(1,457,747)	(1,487,747)	(1,527,985)	(40,238)
Other Financing Sources				
Transfers In	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,496,500</u>	<u>96,500</u>
<i>Net Change in Fund Balance</i>	(57,747)	(87,747)	(31,485)	56,262
<i>Fund Balance Beginning of Year</i>	42,345	42,345	42,345	0
Prior Year Encumbrances Appropriated	<u>57,747</u>	<u>57,747</u>	<u>57,747</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$42,345</u>	<u>\$12,345</u>	<u>\$68,607</u>	<u>\$56,262</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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Rentals	\$10,481	\$12,000	\$31,992	\$19,992
Charges for Services	421,045	482,070	486,351	4,281
Contributions and Donations	26,988	30,900	29,835	(1,065)
Miscellaneous	42,273	48,400	25,812	(22,588)
<i>Total Revenues</i>	<u>500,787</u>	<u>573,370</u>	<u>573,990</u>	<u>620</u>
Expenditures				
Current:				
Leisure Time Activities				
Administration				
Personal Services	365,954	382,882	359,014	23,868
Materials and Supplies	23,232	24,326	19,341	4,985
Contractual Services	22,173	23,220	19,282	3,938
<i>Total Administration</i>	<u>411,359</u>	<u>430,428</u>	<u>397,637</u>	<u>32,791</u>
Senior Programs				
Personal Services	391,602	409,730	409,730	0
Materials and Supplies	155,787	163,045	163,045	0
Contractual Services	240,380	251,720	235,981	15,739
Capital Outlay	7,130	7,468	7,468	0
Other	9,655	10,113	10,113	0
<i>Total Senior Programs</i>	<u>804,554</u>	<u>842,076</u>	<u>826,337</u>	<u>15,739</u>
Miscellaneous				
Materials and Supplies	3,628	3,800	2,249	1,551
Contractual Services	7,591	7,829	6,809	1,020
<i>Total Miscellaneous</i>	<u>11,219</u>	<u>11,629</u>	<u>9,058</u>	<u>2,571</u>
<i>Total Expenditures</i>	<u>1,227,132</u>	<u>1,284,133</u>	<u>1,233,032</u>	<u>51,101</u>
<i>Excess of Revenues Under Expenditures</i>	(726,345)	(710,763)	(659,042)	51,721
Other Financing Sources				
Transfers In	694,000	694,000	694,000	0
<i>Net Change in Fund Balance</i>	(32,345)	(16,763)	34,958	51,721
<i>Fund Balance Beginning of Year</i>	89,455	89,455	89,455	0
Prior Year Encumbrances Appropriated	24,526	24,526	24,526	0
<i>Fund Balance End of Year</i>	<u>\$81,636</u>	<u>\$97,218</u>	<u>\$148,939</u>	<u>\$51,721</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Contributions and Donations	\$20,500	\$20,500	\$21,700	\$1,200
Expenditures				
Current:				
Security of Persons and Property				
DARE program				
Materials and Supplies	46,380	46,380	12,295	34,085
Transfer of Prisoners				
Materials and Supplies	130,000	130,000	0	130,000
<i>Total Expenditures</i>	<u>176,380</u>	<u>176,380</u>	<u>12,295</u>	<u>164,085</u>
<i>Net Change in Fund Balance</i>	(155,880)	(155,880)	9,405	165,285
<i>Fund Balance Beginning of Year</i>	181,629	181,629	181,629	0
Prior Year Encumbrances Appropriated	1,380	1,380	1,380	0
<i>Fund Balance End of Year</i>	<u>\$27,129</u>	<u>\$27,129</u>	<u>\$192,414</u>	<u>\$165,285</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, 2005*

	<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	\$13,000	\$13,000	\$35,496	\$22,496
Expenditures				
Current:				
Basic Utility Services				
Landfill Improvement				
Materials and Supplies	106,009	106,009	73,083	32,926
<i>Excess of Revenues Under Expenditures</i>	(93,009)	(93,009)	(37,587)	55,422
Other Financing Sources				
Transfers In	37,000	37,000	40,577	3,577
<i>Net Change in Fund Balance</i>	(56,009)	(56,009)	2,990	58,999
<i>Fund Balance Beginning of Year</i>	1,345,564	1,345,564	1,345,564	0
Prior Year Encumbrances Appropriated	6,009	6,009	6,009	0
<i>Fund Balance End of Year</i>	<u>\$1,295,564</u>	<u>\$1,295,564</u>	<u>\$1,354,563</u>	<u>\$58,999</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$14,522	\$24,000	\$33,235	\$9,235
Expenditures				
Current:				
Security of Persons and Property				
OMVI				
Personal Services	3,900	3,900	0	3,900
Materials and Supplies	600	600	550	50
Total OMVI	4,500	4,500	550	3,950
Drug Money				
Materials and Supplies	55,715	55,715	12,630	43,085
Immobilization				
Materials and Supplies	1,700	1,700	0	1,700
Miscellaneous				
Materials and Supplies	14,637	14,637	14,637	0
<i>Total Expenditures</i>	<u>76,552</u>	<u>76,552</u>	<u>27,817</u>	<u>48,735</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(62,030)	(52,552)	5,418	57,970
Other Financing Uses				
Transfers Out	(3,555)	(3,555)	(3,555)	0
<i>Net Change in Fund Balance</i>	(65,585)	(56,107)	1,863	57,970
<i>Fund Balance Beginning of Year</i>	65,461	65,461	65,461	0
Prior Year Encumbrances Appropriated	124	124	124	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$9,478</u>	<u>\$67,448</u>	<u>\$57,970</u>

City of Solon, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Community Improvement Corporation Fund
For the Year Ended December 31, 2005

	<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:				
Community Environment Development Board Contractual Services	4,000	4,000	0	(4,000)
<i>Net Change in Fund Balance</i>	(4,000)	(4,000)	0	(4,000)
<i>Fund Balance Beginning of Year</i>	4,000	4,000	4,000	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$4,000</u>	<u>(\$4,000)</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, 2005

	<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>5,501</u>	<u>5,501</u>	<u>0</u>	<u>5,501</u>
<i>Net Change in Fund Balance</i>	(5,501)	(5,501)	0	5,501
<i>Fund Balance Beginning of Year</i>	<u>5,501</u>	<u>5,501</u>	<u>5,501</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,501</u></u>	<u><u>\$5,501</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Contributions and Donations	\$4,311	\$7,000	\$14,747	\$7,747
Expenditures				
Current:				
Security of Persons and Property				
Police				
Materials and Supplies	6,000	6,000	2,975	3,025
Leisure Time Activities				
Senior Services Donations				
Other	21,592	21,592	841	20,751
Community Park Donations				
Other	4,400	4,400	1,255	3,145
Total Leisure Time Activities	25,992	25,992	2,096	23,896
Community Environment				
Blue Herron Donations				
Other	100,000	100,000	100,000	0
Beautification Donations				
Other	5,300	5,300	1,048	4,252
Engineering Department				
Personal Services	1,200	1,200	1,200	0
Total Community Environment	106,500	106,500	102,248	4,252
General Government				
Special Donations				
Other	3,600	3,600	0	3,600
<i>Total Expenditures</i>	142,092	142,092	107,319	34,773
<i>Excess of Revenues Under Expenditures</i>	(137,781)	(135,092)	(92,572)	42,520
Other Financing Sources				
Transfers In	77,912	77,912	73,912	(4,000)
<i>Net Change in Fund Balance</i>	(59,869)	(57,180)	(18,660)	38,520
<i>Fund Balance Beginning of Year</i>	59,777	59,777	59,777	0
Prior Year Encumbrances Appropriated	92	92	92	0
<i>Fund Balance End of Year</i>	\$0	\$2,689	\$41,209	\$38,520

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$435,741	\$718,741	\$427,842	(\$290,899)
Intergovernmental	45,845	45,845	45,845	0
Miscellaneous	<u>0</u>	<u>0</u>	<u>15,227</u>	<u>15,227</u>
<i>Total Revenues</i>	481,586	764,586	488,914	(275,672)
Expenditures				
Capital Outlay	<u>729,139</u>	<u>1,019,439</u>	<u>861,223</u>	<u>158,216</u>
<i>Excess of Revenues Under Expenditures</i>	(247,553)	(254,853)	(372,309)	(117,456)
Other Financing Sources				
Transfers In	<u>0</u>	<u>0</u>	<u>283,000</u>	<u>283,000</u>
<i>Net Change in Fund Balance</i>	(247,553)	(254,853)	(89,309)	165,544
<i>Fund Balance Beginning of Year</i>	107,935	107,935	107,935	0
Prior Year Encumbrances Appropriated	<u>147,139</u>	<u>147,139</u>	<u>147,139</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,521</u></u>	<u><u>\$221</u></u>	<u><u>\$165,765</u></u>	<u><u>\$165,544</u></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, 2005

	<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>130,000</u>	<u>130,000</u>	<u>9,097</u>	<u>120,903</u>
<i>Net Change in Fund Balance</i>	(130,000)	(130,000)	(9,097)	120,903
<i>Fund Balance Beginning of Year</i>	<u>140,348</u>	<u>140,348</u>	<u>140,348</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$10,348</u></u>	<u><u>\$10,348</u></u>	<u><u>\$131,251</u></u>	<u><u>\$120,903</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, 2005*

	<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>678,090</u>	<u>678,090</u>	<u>178,658</u>	<u>499,432</u>
<i>Net Change in Fund Balance</i>	(678,090)	(678,090)	(178,658)	499,432
<i>Fund Balance Beginning of Year</i>	519,867	519,867	519,867	0
Prior Year Encumbrances Appropriated	<u>219,090</u>	<u>219,090</u>	<u>219,090</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$60,867</u></u>	<u><u>\$60,867</u></u>	<u><u>\$560,299</u></u>	<u><u>\$499,432</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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$91,194	\$91,194	\$91,194	\$0
Charges for Services	0	0	40,112	40,112
Contributions and Donations	0	0	700	700
<i>Total Revenues</i>	91,194	91,194	132,006	40,812
Expenditures				
Capital Outlay	2,119,639	2,799,639	2,031,880	767,759
<i>Excess of Revenues Under Expenditures</i>	(2,028,445)	(2,708,445)	(1,899,874)	808,571
Other Financing Sources				
Transfers In	908,806	908,806	1,080,000	171,194
<i>Net Change in Fund Balance</i>	(1,119,639)	(1,799,639)	(819,874)	979,765
<i>Fund Balance Beginning of Year</i>	1,969,654	1,969,654	1,969,654	0
Prior Year Encumbrances Appropriated	419,639	419,639	419,639	0
<i>Fund Balance End of Year</i>	<u>\$1,269,654</u>	<u>\$589,654</u>	<u>\$1,569,419</u>	<u>\$979,765</u>

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

	2005	2004	2003
Program Revenues			
Charges for Services	\$4,948,451	\$4,496,162	\$4,057,460
Operating Grants and Contributions	1,008,611	1,073,328	831,117
Capital Grants and Contributions	2,028,529	30,000	924,595
General Revenues			
Property and Other Local Taxes	5,123,391	5,589,627	5,372,010
Municipal Income Taxes	29,967,703	26,772,588	28,277,201
Grants and Entitlements not Restricted to Specific Programs	1,878,815	1,646,510	1,375,594
Gain on Sale of Capital Assets	0	8,450	0
Investment Earnings	893,329	1,155,225	1,298,459
Other	87,494	90,038	401,395
<i>Total</i>	<u>\$45,936,323</u>	<u>\$40,861,928</u>	<u>\$42,537,831</u>
Expenses			
Security of Persons and Property			
Police	\$7,085,001	\$6,952,721	\$6,236,704
Fire	6,945,834	6,580,279	5,860,599
Prosecutor	449,351	291,166	299,984
Public Health and Welfare	123,533	121,625	105,461
Leisure Time Activities	5,786,057	5,599,968	5,055,204
Community Environment	2,659,078	2,738,297	2,874,107
Basic Utility Services	1,543,094	1,467,266	1,238,991
Transportation	11,193,451	11,766,890	6,029,480
General Government	6,700,104	8,336,415	6,396,281
Interest and Fiscal Charges	1,285,874	1,301,006	1,448,515
<i>Total</i>	<u>\$43,771,377</u>	<u>\$45,155,633</u>	<u>\$35,545,326</u>

Source: City Financial Records

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

	2005	2004	2003	2002
Revenues				
Property Taxes	\$4,499,724	\$4,843,141	\$4,824,148	\$4,370,359
Municipal Income Taxes	29,535,375	27,038,056	28,383,580	27,795,091
Other Local Taxes	695,906	703,495	554,281	643,448
Special Assessments	1,083,930	406,647	370,838	820,074
Intergovernmental	3,073,013	2,616,278	2,982,296	6,670,848
Investment Income	893,329	1,155,225	1,298,459	3,174,847
Fees, Licenses and Permits	1,112,664	1,081,566	1,040,886	900,926
Fines and Forfeitures	332,732	292,396	282,640	286,901
Rentals	31,992	11,563	8,397	0
Charges for Services	3,471,063	3,110,637	2,725,537	1,864,193
Contributions and Donations	66,982	83,731	67,961	0
Miscellaneous	87,494	90,038	401,395	224,486
Total	\$44,884,204	\$41,432,773	\$42,940,418	\$46,751,173
Expenditures				
Current				
Security of Persons and Property (2)				\$10,806,817
Police	\$6,649,603	\$6,635,441	\$6,014,057	N/A
Fire	6,458,351	6,289,735	5,401,761	N/A
Prosecutor	445,789	288,406	299,984	N/A
Public Health and Welfare	123,533	121,625	105,461	105,158
Leisure Time Activities	5,091,112	4,895,083	4,276,719	3,255,583
Community Environment	2,062,884	2,083,980	2,084,024	1,708,408
Basic Utility Services	1,587,598	1,469,524	1,525,655	1,467,022
Transportation	5,167,983	4,745,841	4,318,184	4,076,610
General Government	6,000,827	7,370,422	5,330,364	4,920,313
Capital Outlay	15,578,972	7,913,048	16,768,406	25,394,387
Debt Service	3,878,131	3,657,260	3,579,335	6,040,891
Total	\$53,044,783	\$45,470,365	\$49,703,950	\$57,775,189

Source: City financial records

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

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

2001	2000	1999	1998	1997	1996
\$3,842,118	\$3,864,543	\$5,538,206	\$2,802,463	\$3,770,759	\$4,005,215
27,350,350	28,948,547	26,143,337	24,999,541	23,408,703	22,718,834
569,811	422,268	211,927	231,958	171,476	0
707,859	958,092	830,806	421,000	1,360,000	1,035,551
2,964,830	3,059,750	1,762,816	1,748,824	1,758,064	2,909,185
3,820,232	3,808,423	2,146,285	2,366,471	2,044,588	1,905,410
1,184,015	670,334	757,324	657,766	543,291	205,324
325,416	347,191	304,039	388,465	291,555	229,765
0	0	0	0	0	0
1,440,499	1,119,423	1,048,265	845,203	811,834	1,242,321
0	0	0	0	0	0
595,535	622,888	322,814	1,375,367	603,313	614,060
<u>\$42,800,665</u>	<u>\$43,821,459</u>	<u>\$39,065,819</u>	<u>\$35,837,058</u>	<u>\$34,763,583</u>	<u>\$34,865,665</u>

\$10,200,788	\$8,595,528	\$8,763,352	\$8,104,363	\$7,899,219	\$7,177,950
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
104,022	94,139	51,024	86,095	65,684	84,872
2,743,713	2,320,317	2,097,835	1,928,041	1,885,838	1,682,124
1,613,073	1,763,591	899,354	776,957	1,059,817	691,742
1,314,350	1,286,482	1,398,880	1,731,731	2,002,968	2,920,778
3,682,611	3,257,355	3,959,277	2,990,029	3,966,886	4,773,687
4,807,963	4,365,173	6,001,325	4,967,094	4,719,791	4,694,209
13,622,807	10,336,925	7,188,569	6,044,446	8,244,986	4,142,936
9,532,154	11,509,894	3,298,487	3,097,684	3,127,795	2,815,457
<u>\$47,621,481</u>	<u>\$43,529,404</u>	<u>\$33,658,103</u>	<u>\$29,726,440</u>	<u>\$32,972,984</u>	<u>\$28,983,755</u>

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

Year	Total Tax Levy	Current Tax Collections (1)	Percentage of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections
2005	\$4,852,013	\$4,675,206	96.36%	\$145,439	\$4,820,645
2004	4,298,743	3,899,162	90.70	138,150	4,037,312
2003	4,045,352	3,662,069	90.53	111,344	3,773,413
2002	3,886,035	3,523,795	90.68	100,905	3,624,700
2001	3,778,018	3,516,284	93.07	90,066	3,606,350
2000	3,396,993	3,225,956	94.97	65,456	3,291,412
1999	3,298,240	3,122,809	94.68	62,446	3,185,255
1998	3,199,928	3,002,501	93.83	37,918	3,040,419
1997	2,992,692	2,819,274	94.21	32,391	2,851,665
1996	2,619,324	2,486,435	94.93	30,768	2,517,203

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

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

Source: Cuyahoga County Auditor

<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Percentage of Delinquent Taxes to Total Tax Levy</u>
99.35%	\$233,472	4.81%
93.92	239,333	5.57
93.28	196,342	4.85
93.28	205,422	5.29
95.46	148,750	3.94
96.89	89,355	2.63
96.57	99,317	3.01
95.02	94,409	2.64
95.29	84,326	2.82
96.10	77,114	2.94

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)
2005	\$992,093,020	\$2,834,551,486	\$20,399,710	\$23,181,489
2004	971,412,730	2,775,464,943	20,527,840	23,327,091
2003	901,714,670	2,576,327,629	20,096,400	22,836,818
2002	884,817,300	2,528,049,429	21,310,340	24,216,295
2001	865,497,080	2,472,848,800	24,380,670	27,705,307
2000	751,604,370	2,147,441,057	25,373,790	28,833,852
1999	720,557,060	2,058,734,457	27,275,100	30,994,432
1998	692,723,010	1,979,208,600	27,362,250	31,093,466
1997	652,304,010	1,863,725,743	28,619,720	32,522,409
1996	637,201,530	1,820,575,800	28,789,390	32,715,216

Source: Cuyahoga County Auditor

- (1) This amount is calculated based on the following percentages:
 Real property is assessed at thirty-five percent of actual value.
 Public utility is assessed at various rates from twenty-five to eighty-eight percent of actual value.
 Tangible personal is assessed at twenty-five percent of actual for capital assets and twenty-three percent for inventory.

Tangible Personal Property		Total		
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	Ratio
\$166,267,796	\$665,071,184	\$1,178,760,526	\$3,522,804,159	33.46%
196,907,091	787,628,364	1,188,847,661	3,586,420,398	33.15
217,973,828	871,895,312	1,139,784,898	3,471,059,759	32.84
214,640,995	858,563,980	1,120,768,635	3,410,829,704	32.86
222,037,724	888,150,896	1,111,915,474	3,388,705,003	32.81
203,829,922	815,319,688	980,808,082	2,991,594,597	32.79
204,302,253	817,209,012	952,134,413	2,906,937,901	32.75
201,276,279	805,105,116	921,361,539	2,815,407,182	32.73
189,671,684	758,686,736	870,595,414	2,654,934,888	32.79
197,807,661	791,230,644	863,798,581	2,644,521,660	32.66

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
2005	\$688,335,340	\$199,706,400	\$103,991,270	\$60,010	\$992,093,020
2004	672,635,350	195,416,750	103,301,880	58,750	971,412,730
2003	614,193,030	181,981,940	105,482,220	57,480	901,714,670
2002	587,426,100	190,403,770	106,925,480	61,950	884,817,300
2001	569,650,190	190,528,780	105,253,280	64,830	865,497,080
2000	503,714,390	144,924,120	102,788,310	177,550	751,604,370
1999	489,347,810	125,826,460	105,214,400	168,390	720,557,060
1998	474,047,150	116,946,770	101,560,100	168,990	692,723,010
1997	437,774,000	110,836,130	103,525,540	168,340	652,304,010
1996	424,616,120	108,679,300	103,743,180	162,930	637,201,530

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
2005	\$0.50	\$0.30	\$0.30	\$2.50	\$0.50	\$4.10	\$77.30	\$18.30	\$99.70
2004	0.50	0.30	0.30	2.50	0.50	4.10	70.40	18.30	92.80
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

(1) Solon City School District

Source: Cuyahoga County Auditor

City of Solon, Ohio
Principal Real Property Taxpayers
 December 31, 2005

Taxpayer	Assessed Valuation	Percent of Total Assessed Value of Real Property	Percent of Total Assessed Value
Cleveland Electric Illuminating Company	\$11,616,052	1.17%	0.99%
Crawford Fitting Company	10,657,780	1.07	0.90
Stouffer Corporation	8,584,625	0.87	0.73
L'Oreal USA Products, Incorporated	6,216,385	0.63	0.53
GS II Uptown Solon LLC	6,140,400	0.62	0.52
Permatex, Incorporated	4,403,070	0.44	0.37
Midamco	4,005,505	0.40	0.34
Emerald Ridge Realty Ltd	3,937,465	0.40	0.33
Aurora Road Realty Development	3,773,945	0.38	0.32
Ohio Bell Telephone Company	3,625,041	0.37	0.31
Total	<u>\$62,960,268</u>	<u>6.35%</u>	<u>5.34%</u>
Total Assessed Value of Real Property	<u>\$992,093,020</u>		
Total Assessed Value	<u>\$1,178,760,526</u>		

Source: Cuyahoga County

City of Solon, Ohio
Principal Personal Property Taxpayers
 December 31, 2005

Taxpayer	Assessed Valuation	Percent of Total Assessed Value of Personal Property	Percent of Total Assessed Value
Swagelok Company	\$15,914,430	9.57%	1.35%
Nestle USA Food Group, Incorporated	10,878,090	6.54	0.92
Erico Holding Company	6,752,640	4.06	0.57
Smurfit Stone Container Enterprises	5,910,750	3.55	0.50
Kennametal, Incorporated	5,038,540	3.03	0.43
Kennametal, Incorporated	4,351,370	2.62	0.37
Davis Automotive Group, Incorporated	4,087,640	2.46	0.35
Saint Gobain Ceramics & Plastics	4,033,090	2.43	0.34
Permatex, Incorporated	4,020,237	2.42	0.34
Card Pak Incorporated	2,679,870	1.61	0.23
Total	<u>\$63,666,657</u>	<u>38.29%</u>	<u>5.40%</u>
Total Assessed Value of Personal Property	<u>\$166,267,796</u>		
Total Assessed Value	<u>\$1,178,760,526</u>		

Source: Cuyahoga County

City of Solon, Ohio
Ten Largest City Income Tax Withholding Accounts
 December 31, 2005

	<u>Employee Withholding</u>	<u>Percentage of Total</u>
Nestle' Beverage Services	\$1,779,946	7.70%
Swagelok Company	1,639,412	7.09
Solon Board of Education	736,192	3.19
Agilysys, Incorporated	628,925	2.72
Keithley Instruments, Incorporated	610,105	2.64
Erico Products, Incorporated	582,453	2.52
National Enterprise Systems	417,144	1.80
L'Oreal USA Products, Incorporated	414,292	1.79
City of Solon	384,688	1.66
Kennametal, Incorporated	<u>342,314</u>	<u>1.49</u>
Total	7,535,471	32.60
Other Withholding Accounts	<u>15,577,026</u>	<u>67.40</u>
Total Withholding Collected	<u><u>\$23,112,497</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)
2005	\$1,110,101	\$1,083,930	97.64%	\$26,171
2004	700,183	676,718	96.65	23,465
2003	978,442	944,413	96.52	34,029
2002	824,361	820,074	99.48	4,287
2001	738,045	707,859	95.91	30,186
2000	718,733	702,142	97.69	16,591
1999	846,595	821,492	97.03	25,103
1998	1,074,497	958,697	89.22	115,800
1997	1,014,276	925,688	91.27	88,588
1996	1,063,440	1,036,351	97.45	27,089

(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 (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available
2005	21,802 (b)	\$1,178,760,526	\$17,170,000	\$1,934,502
2004	21,802 (b)	1,188,847,661	19,040,000	2,362,134
2003	21,802 (b)	1,139,784,898	20,835,000	2,298,675
2002	21,802 (b)	1,120,768,635	22,570,000	1,995,644
2001	21,802 (b)	1,111,915,474	12,185,000	2,989,743
2000	21,802 (b)	980,808,082	13,325,000	3,097,125
1999	18,548 (a)	952,134,413	14,420,000	2,349,700
1998	18,548 (a)	921,361,539	15,495,000	1,810,818
1997	18,548 (a)	870,595,414	16,515,000	1,251,974
1996	18,548 (a)	863,798,581	17,475,000	959,254

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

(2) Source: Cuyahoga County Auditor

(3) Includes all general obligation bonds

Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
\$15,235,498	1.29%	\$698.81
16,677,866	1.40	764.97
18,536,325	1.63	850.21
20,574,356	1.84	943.69
9,195,257	0.83	421.76
10,227,875	1.04	469.13
12,070,300	1.27	650.76
13,684,182	1.49	737.77
15,263,026	1.75	822.89
16,515,746	1.91	890.43

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

Assessed Valuation		<u><u>\$1,178,760,526</u></u>
Overall Debt Limitation 10.5% of Assessed Valuation		\$123,769,855
Gross Indebtedness		
General Obligation Bonds	\$17,170,000	
Special Assessment Bonds	548,385	
OWDA Loans	24,389,190	
OPWC Loans	532,799	
Notes	<u>6,000,000</u>	
Total Gross Indebtedness	<u>48,640,374</u>	
Exemptions:		
Special Assessment Bonds	548,385	
OWDA Loans	24,389,190	
OPWC Loans	<u>532,799</u>	
Total Exemptions	<u>25,470,374</u>	
Debt Within 10.5% Limitation	23,170,000	
Less: Amount Available in Debt Service Fund	<u>1,996,287</u>	
Net Debt Within 10.5% Limitation		<u>21,173,713</u>
Legal Debt Margin Within 10.5% Limitation		<u><u>\$102,596,142</u></u>
<hr/>		
Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$64,831,829
Gross indebtedness authorized by Council	\$48,640,374	
Less Debt Outside Limitation:		
Special Assessment Bonds	548,385	
OWDA Loans	24,389,190	
OPWC Loans	<u>532,799</u>	
Total Debt Outside Limitation	<u>25,470,374</u>	
Debt Within 5.5% Limitation	23,170,000	
Less: Amount Available in Debt Service Fund	<u>1,996,287</u>	
Net Debt Within 5.5% Limitation		<u>21,173,713</u>
Legal Debt Margin Within 5.5% Limitation		<u><u>\$43,658,116</u></u>

Source: City of Solon

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

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

<u>Year</u>	<u>Principal (1)</u>	<u>Interest and Fiscal Charges (1)</u>	<u>Debt Service on General Obligation Bonded Debt</u>	<u>Governmental Expenditures (2)</u>	<u>Ratio</u>
2005	\$1,870,000	\$913,065	\$2,783,065	\$53,044,783	5.25%
2004	1,795,000	984,578	2,779,578	45,470,365	6.11
2003	1,735,000	1,054,278	2,789,278	49,703,950	5.61
2002	1,850,000	942,094	2,792,094	57,775,189	4.83
2001	1,140,000	725,825	1,865,825	47,621,481	3.92
2000	1,095,000	789,918	1,884,918	43,529,404	4.33
1999	1,075,000	864,481	1,939,481	33,658,103	5.76
1998	1,020,000	931,022	1,951,022	29,726,440	6.56
1997	960,000	994,270	1,954,270	32,972,984	5.93
1996	905,000	843,728	1,748,728	28,983,755	6.03

(1) Only general obligation bond principal and interest.

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

Source: City of Solon

City of Solon, Ohio

Computation of Direct and Overlapping General Tax Supported Debt December 31, 2005

<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>\$23,170,000</u>	<u>100.00%</u>	<u>\$23,170,000</u>
Overlapping:			
Solon City School District	26,800,610	97.86	26,227,077
Orange School District	27,593,219	2.14	590,495
Cuyahoga County (2)	231,365,971	3.87	8,953,863
Regional Transit Authority	<u>139,790,000</u>	3.87	<u>5,409,873</u>
Total Overlapping	<u>425,549,800</u>		<u>41,181,308</u>
Totals	<u>\$448,719,800</u>		<u>\$64,351,308</u>

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

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

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

Source: Cuyahoga County Auditor

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

Year	Total Debt	Debt per Capita (1)	Percent of Assessed Valuation	Debt per Capita as a Percent of Personal Income per Capita (2)
2005	\$48,640,374	\$2,231.01	4.13%	6.30%
2004	49,016,374	2,248.25	4.16	6.35
2003	51,503,393	2,362.32	4.52	6.68
2002	51,035,900	2,340.88	4.55	6.60
2001	46,191,550	2,118.68	4.15	6.27
2000	45,989,373	2,135.94	4.75	9.49
1999	51,229,077	2,761.97	5.38	12.27
1998	47,695,380	2,571.46	5.18	11.42
1997	47,791,840	2,576.66	5.49	11.44
1996	50,252,949	2,709.35	5.82	12.03

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

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

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

Year	Gross Revenues (1)	Direct Operating Expenditures (2)	Net Revenue Available for Debt Service
2005	\$5,280,955	\$4,142,408	\$1,138,547
2004	4,808,245	5,469,025	(660,780)
2003	5,395,857	4,609,491	786,366
2002	5,404,261	3,894,433	1,509,828
2001	5,381,397	4,142,824	1,238,573
2000	4,710,354	2,787,929	1,922,425
1999	5,199,841	2,609,974	2,589,867
1998	5,009,339	2,782,466	2,226,873
1997	4,335,108	3,373,995	961,113
1996	3,572,731	3,135,089	437,642

(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>
\$1,141,743	\$418,878	\$1,560,621	0.73
1,104,919	490,087	1,595,006	(0.41)
1,069,321	525,686	1,595,007	0.49
521,831	275,671	797,502	1.89
1,018,122	576,884	1,595,006	0.78
969,464	625,542	1,595,006	1.21
1,090,504	809,240	1,899,744	1.36
1,085,095	846,374	1,931,469	1.15
1,019,303	881,183	1,900,486	0.51
923,799	835,335	1,759,134	0.25

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

	2005	2004	2003
Indebtedness:			
General Obligation Bonds			
Grantwood Park Improvements	\$0	\$0	\$0
Central Wastewater	0	0	0
New City Hall Construction	3,820,000	4,190,000	4,545,000
LTGO Refunding	1,310,000	1,915,000	2,495,000
Library Building	2,605,000	2,770,000	2,920,000
Community Center and Kruse Dr.	9,435,000	10,165,000	10,875,000
Special Assessment Bonds			
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	0	105,000	210,000
County Issued Miles Sewer	548,385	617,220	688,350
Various Purpose Improvements	0	0	0
Loans from State Agencies			
<i>Enterprise Fund Loans</i>			
OWDA 190SRF - WWTP Expansion	10,917,587	11,838,924	12,732,878
OWDA 181SRF - N. E. Pump Station	1,721,453	1,898,296	2,067,773
OWDA 896032 - WWTP (1970)	158,740	182,288	204,451
OWDA 190SRFS - WWTP Expansion	243,989	264,004	283,329
<i>General Long-Term Debt Loans</i>			
OWDA 181SRF - Creekside Pump Station	1,246,570	1,374,628	1,497,353
OPWC CA514 - Solon/Baldwin/Huntington Sanitary Sewers	428,532	476,147	523,762
OWDA 332SRF - Aurora/Liberty Sanitary Sewer	810,832	867,924	922,713
OPWC - Solon/Cochran Intersection	104,267	117,300	130,333
OWDA - Aurora Road	5,478,194	5,734,643	4,407,451
OWDA - Aurora East Sewer Project	3,811,825	0	0
Capital Leases	0	0	0
General Obligation Bond Anticipation Notes			
Kruse Drive	0	0	0
Municipal Service Center Improvement	0	0	0
Building Construction	1,560,000	1,850,000	2,000,000
Community Center	4,440,000	4,650,000	5,000,000
Total	<u>\$48,640,374</u>	<u>\$49,016,374</u>	<u>\$51,503,393</u>

Source: City of Solon

2002	2001	2000	1999	1998	1997	1996
\$0	\$55,000	\$110,000	\$165,000	\$220,000	\$275,000	\$330,000
0	150,000	300,000	450,000	600,000	750,000	900,000
4,885,000	5,205,000	5,510,000	5,805,000	6,085,000	6,355,000	6,615,000
3,055,000	3,585,000	4,090,000	4,570,000	5,050,000	5,495,000	5,930,000
3,060,000	3,190,000	3,315,000	3,430,000	3,540,000	3,640,000	3,700,000
11,570,000	0	0	0	0	0	0
0	0	0	0	0	0	35,000
0	0	0	0	35,000	70,000	105,000
0	0	0	17,000	34,000	51,000	68,000
0	0	0	40,000	80,000	120,000	160,000
315,000	420,000	525,000	630,000	735,000	840,000	945,000
745,714	791,604	791,604	876,500	876,500	915,506	952,217
0	2,920,000	3,110,000	3,290,000	3,460,000	3,625,000	3,790,000
13,600,420	14,024,397	14,853,402	16,050,942	16,819,717	17,565,644	18,289,248
2,226,012	2,304,666	2,457,043	2,673,790	2,810,792	2,942,087	3,067,914
225,307	235,421	254,459	280,809	297,177	312,582	327,081
301,987	311,073	328,774	354,189	370,404	416,995	432,500
1,619,144	1,676,101	1,786,443	1,943,398	2,042,606	2,137,682	2,228,798
571,377	642,799	666,606	714,221	761,836	809,451	857,066
1,217,572	1,217,572	1,246,608	1,330,213	1,383,149	1,433,950	1,482,702
143,367	162,917	169,434	182,467	195,500	0	0
3,138,636	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	548	13,699	36,943	37,423
0	2,300,000	2,475,000	2,425,000	2,285,000	0	0
0	2,000,000	4,000,000	6,000,000	0	0	0
5,000,000	5,000,000	0	0	0	0	0
2,500,000	0	0	0	0	0	0
<u>\$54,174,536</u>	<u>\$46,191,550</u>	<u>\$45,989,373</u>	<u>\$51,229,077</u>	<u>\$47,695,380</u>	<u>\$47,791,840</u>	<u>\$50,252,949</u>

City of Solon, Ohio
Demographic Statistics
 December 31, 2005

Population Data

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

2000 Population Distribution by Age

Age	Number	Percent of Total
Under 5	1,290	5.92%
5 - 9	1,891	8.67
10 - 14	2,199	10.09
15 - 19	1,702	7.81
20 - 24	647	2.97
25 - 34	1,668	7.65
35 - 44	4,000	18.35
45 - 54	4,127	18.92
55 - 59	1,141	5.23
60 - 64	818	3.75
65 - 74	1,302	5.97
75 - 44	824	3.78
85 & over	193	0.89
Total	21,802	100.00%
Under 18	6,658	30.54%
65 & Over	2,319	10.64%

Miscellaneous Population Information

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

(continued)

City of Solon, Ohio
Demographic Statistics (continued)
 December 31, 2005

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	
2005	\$1,178,760,526	923	\$71,614,433	\$109,071,512
2004	1,188,847,661	758	88,110,597	101,838,959
2003	1,139,784,898	902	72,715,377	97,238,973
2002	1,120,768,635	706	54,524,006	95,761,917
2001	1,111,915,474	773	97,746,307	63,893,769
2000	980,808,082	748	61,396,638	61,943,764
1999	952,134,413	767	75,119,573	57,816,942
1998	921,361,539	782	76,795,425	58,904,596
1997	870,595,414	812	75,019,941	53,941,971 (4)
1996	863,798,581	689	66,661,787	27,068,211

Sources: (1) Cuyahoga County Auditor

(2) City of Solon Building Department

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

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

City of Solon, Ohio
Miscellaneous Statistical Data
 December 31, 2005

Government:	Charter Founded Township Village City	Mayor and Council (adopted 1954) 1820 1825 1938 December 5, 1960
Population:	Census 2000	21,802
Area:	19.2 square miles (12,300 acres)	378 acres undeveloped (2004) (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	38.62 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 20 7 full-time, 5 part-time 8 full-time, 3 part-time 9 full-time, 3 part-time 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:	\$1,178,760,526	2005
Number of Dwellings:	Total units (including multi-family) Single family home average value	8,492 (Solon Planning Department 2004) \$221,427 in 2003 (County Auditor)
Banks:	Branches	12
Churches:	Total	13
Buildings:	Permits issued in 2005 Valuation	923 \$71,614,433
Industry:	Number of business units	823 (Solon Planning Department 2004)
Railroads:	Wheeling and Lake Erie Norfolk Southern	1 1
Bus Lines:	RTA (Regional Transit Authority)	2 routes
Medical:	Hospitals within 15 miles Emergency Care facility in Solon	10 1

(continued)

City of Solon, Ohio
Miscellaneous Statistical Data (continued)
 December 31, 2005

Education:	Total school enrollment	5,295 (August 2005)
	Average SAT score - Verbal	1,137 (2004)
	Average SAT score - Math	575 (2004)
	Parochial schools within 20 miles	25 (2004)
	Private schools within 20 miles	8 (1998)
	Major Colleges and Universities within 50 miles	16 (2005)
	Technical and Vocational Schools in the region	39 (2000)
Libraries:	Public Libraries	1
	Volumes available, Audio/Visual, Periodicals	131,408 total items
Newspapers:	Daily	1 - Cleveland Plain Dealer
	Weekly	2 - Solon Times and Solon Herald Sun
Lodging:	Hotel/Motel	4
Shopping Centers:		4
Airport:	20 miles to Cleveland Hopkins International Airport	
Recreation Facilities: (city owned and maintained)	Parks	4 (estimated 151 total acres)
	Swimming pools	1 (6 lane -- 50 meter)
	Community Center	1 (has 1 indoor and 1 outpool pool)
	Lighted tennis courts	12 (4 are unlit)
	Baseball fields	11
	Playgrounds	6
	Skateboard park	1
	Basketball courts	1
	Sand volleyball courts	2
	Pavilions	4
	Lake within park	1 (approximately 5 acres for fishing)
	Golf course (Grantwood)	1 - 18 hole with driving range
Other Recreation:	Cleveland Metro Parks area	360 acres within Solon
	Amusement park (Six Flags)	2 miles from City limits
	Golf courses (private)	2 (18 holes each)
Sewerage System: (city owned and maintained)	Miles of sanitary sewers	180
	Number of treatment plants	1
	Number of lift/pump stations	22
	Number of service connections	7,150 residential; 305 commercial
	Daily average treatment	4,060,000 gallons
	Maximum daily capacity of plant	5,800,000 gallons
Public Meetings:	Solon City Council	1st and 3rd Monday of each month
	Other Committees and Commissions meet monthly on varying dates.	



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF SOLON

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 06, 2006**