

**CITY OF SOLON
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

CITY OF SOLON
CUYAHOGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of City Council:

We have audited the accompanying general-purpose financial statements of the City of Solon, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Solon, Cuyahoga County, Ohio, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in Note 17 to the accompanying financial statements, the City reclassified several funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

Jim Petro
Auditor of State

June 16, 2000

CITY OF SOLON, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the City include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows for proprietary funds.

CITY OF SOLON, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS AND OTHER DEBITS</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 11,143,840	\$ 6,062,191	\$ 2,349,700	\$ 29,914,206
Unallocated Cash	708,349	-	-	-
Receivables:				
Taxes	2,614,830	608,980	2,740,420	1,124,382
Accounts	-	36,485	-	55,156
Intergovernmental	117,049	62,044	-	233,598
Interfund	2,085,052	-	-	-
Special Assessments	-	-	9,263,478	-
Accrued Interest	-	739,845	-	-
Materials and Supplies Inventory	247,846	-	-	-
Fixed Assets, (Net Where Applicable of Accumulated Depreciation)	-	-	-	-
Other Debits				
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for Capital Leases	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
Amount to be Provided for Retirement of Special Assessments	-	-	-	-
Total Assets and Other Debits	\$ <u>16,916,966</u>	\$ <u>7,509,545</u>	\$ <u>14,353,598</u>	\$ <u>31,327,342</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 7,284,012	\$ 912,409	\$ -	\$ -	\$ 57,666,358
-	-	-	-	708,349
-	-	-	-	7,088,612
-	-	-	-	91,641
406,019	-	-	-	818,710
-	-	-	-	2,085,052
-	-	-	-	9,263,478
-	-	-	-	739,845
155,202	-	-	-	403,048
66,742,842	-	38,187,005	-	104,929,847
-	-	-	3,271,616	3,271,616
-	-	-	548	548
-	-	-	18,298,152	18,298,152
-	-	-	4,853,500	4,853,500
<u>\$ 74,588,075</u>	<u>\$ 912,409</u>	<u>\$ 38,187,005</u>	<u>\$ 26,423,816</u>	<u>\$ 210,218,756</u>

Continued

CITY OF SOLON, OHIO

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED) DECEMBER 31, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 294,414	\$ 66,163	\$ -	\$ 2,165,248
Interfund Payable	-	-	-	1,360,000
Accrued Wages and Benefits	118,320	3,428	-	-
Due to Other Governments	46,394	-	-	-
Accrued Compensated Absences	102,833	5,453	-	-
Accrued Pension	11,321	284,027	-	-
Deferred Revenue	519,460	404,110	11,081,982	327,644
Restricted Deposits	-	-	-	-
Accrued Interest Payable	-	-	-	174,635
OWDA/OPWC Loans Payable	-	-	-	-
Note Payable	-	-	-	8,425,000
Capital Lease Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Special Assessment Bonds Payable	-	-	-	-
Total Liabilities	<u>1,092,742</u>	<u>763,181</u>	<u>11,081,982</u>	<u>12,452,527</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Deficit	-	-	-	-
Fund Balance:				
Reserved for Encumbrances	307,304	40,861	-	6,692,727
Reserved for Inventory	247,846	-	-	-
Reserved for Debt Service	-	-	1,824,385	-
Designated	708,349	-	-	-
Undesignated	<u>14,560,725</u>	<u>6,705,503</u>	<u>1,447,231</u>	<u>12,182,088</u>
Total Fund Equity and Other Credits	<u>15,824,224</u>	<u>6,746,364</u>	<u>3,271,616</u>	<u>18,874,815</u>
Total Liabilities, Fund Equity and Other Credits	\$ <u>16,916,966</u>	\$ <u>7,509,545</u>	\$ <u>14,353,598</u>	\$ <u>31,327,342</u>

See Accompanying Notes to the General Purpose Financial Statements

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$ 138,435	\$ -	\$ -	\$ -	\$ 2,664,260
725,052	-	-	-	2,085,052
12,356	-	-	-	134,104
-	-	-	-	46,394
528,385	-	-	2,884,908	3,521,579
73,270	-	-	94,561	463,179
-	-	-	-	12,333,196
-	767,159	-	-	767,159
312,771	-	-	-	487,406
19,359,730	-	-	4,170,299	23,530,029
-	-	-	-	8,425,000
-	-	-	548	548
-	-	-	14,420,000	14,420,000
-	-	-	4,853,500	4,853,500
<u>21,149,999</u>	<u>767,159</u>	<u>-</u>	<u>26,423,816</u>	<u>73,731,406</u>
-	-	38,187,005	-	38,187,005
94,528,647	-	-	-	94,528,647
(41,090,571)	-	-	-	(41,090,571)
-	-	-	-	7,040,892
-	-	-	-	247,846
-	-	-	-	1,824,385
-	-	-	-	708,349
-	145,250	-	-	35,040,797
<u>53,438,076</u>	<u>145,250</u>	<u>38,187,005</u>	<u>-</u>	<u>136,487,350</u>
\$ <u>74,588,075</u>	\$ <u>912,409</u>	\$ <u>38,187,005</u>	\$ <u>26,423,816</u>	\$ <u>210,218,756</u>

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>Revenues</u>		
Property Taxes	\$ 647,575	\$ 777,089
Municipal Income Taxes	19,607,503	-
Other Local Taxes	211,927	-
Intergovernmental	1,113,669	649,147
Charges for Services	348,000	700,265
Licenses and Permits	403,540	353,784
Fines and Forfeitures	218,741	85,298
Special Assessments	-	-
Investment Income	24,524	2,077,513
Other	-	156,993
	<hr/>	<hr/>
Total Revenues	<u>22,575,479</u>	<u>4,800,089</u>
<u>Expenditures</u>		
Current Operations and Maintenance:		
Security of Persons and Property	7,738,708	1,024,644
Public Health and Welfare	49,821	1,203
Leisure Time Activities	260	2,097,575
Community Environment	899,354	-
Basic Utility Service	1,132,649	-
Transportation	1,792,908	626,000
General Government	5,284,502	88,346
Capital Outlay	-	-
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
	<hr/>	<hr/>
Total Expenditures	<u>16,898,202</u>	<u>3,837,768</u>
Excess of Revenues Over (Under) Expenditures	<u>5,677,277</u>	<u>962,321</u>

See Accompanying Notes to the General Purpose Financial Statements

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 3,522,536	\$ 591,006	\$ -	\$ 5,538,206
-	6,535,834	-	26,143,337
-	-	-	211,927
-	-	-	1,762,816
-	-	-	1,048,265
-	-	-	757,324
-	-	-	304,039
830,806	-	-	830,806
-	44,248	-	2,146,285
66,150	99,671	247,145	569,959
<u>4,419,492</u>	<u>7,270,759</u>	<u>247,145</u>	<u>39,312,964</u>
-	-	19,099	8,782,451
-	-	-	51,024
-	-	2,965	2,100,800
-	-	-	899,354
-	266,231	-	1,398,880
-	1,722,416	-	4,141,324
-	446,430	182,047	6,001,325
-	7,188,569	-	7,188,569
1,602,245	60,648	-	1,662,893
<u>1,370,016</u>	<u>265,578</u>	<u>-</u>	<u>1,635,594</u>
<u>2,972,261</u>	<u>9,949,872</u>	<u>204,111</u>	<u>33,862,214</u>
<u>1,447,231</u>	<u>(2,679,113)</u>	<u>43,034</u>	<u>5,450,750</u>

Continued

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<u>Other Financing Sources (Uses)</u>		
Reimbursements Received	170,725	2,403
Operating Transfers - In	4,324	1,775,803
Operating Transfers - Out	<u>(3,189,357)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,014,308)</u>	<u>1,778,206</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,662,969	2,740,527
Fund Balances at Beginning of Year, Restated (See Note 17)	13,030,368	4,005,837
Decrease in Reserve for Inventory	<u>130,887</u>	<u>-</u>
Fund Balances at End of Year	\$ <u>15,824,224</u>	\$ <u>6,746,364</u>

See Accompanying Notes to the General Purpose Financial Statements

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
-	-	-	173,128
-	1,936,230	-	3,716,357
-	(550,000)	-	(3,739,357)
-	1,386,230	-	150,128
1,447,231	(1,292,883)	43,034	5,600,878
1,824,385	20,167,698	102,216	39,130,504
-	-	-	130,887
\$ <u>3,271,616</u>	\$ <u>18,874,815</u>	\$ <u>145,250</u>	\$ <u>44,862,269</u>

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues</u>			
Property Taxes	\$ 470,355	\$ 479,070	\$ 8,715
Municipal Income Taxes	19,759,324	19,547,757	(211,567)
Other Local Taxes	300,084	227,133	(72,951)
Intergovernmental	1,090,235	1,192,285	102,050
Charges for Services	318,214	348,000	29,786
Fees, Licenses and Permits	369,000	403,540	34,540
Fines and Forfeitures	218,421	238,866	20,445
Investment Income	<u>22,426</u>	<u>24,524</u>	<u>2,098</u>
Total Revenues	<u>22,548,059</u>	<u>22,461,175</u>	<u>(86,884)</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	8,315,158	7,844,242	470,916
Public Health and Welfare	51,015	49,821	1,194
Community Development	1,038,461	921,327	117,134
Basic Utility Services	1,158,117	1,130,979	27,138
Transportation	2,687,611	2,062,545	625,066
General Government	<u>6,400,762</u>	<u>5,453,393</u>	<u>947,369</u>
Total Expenditures	<u>19,651,124</u>	<u>17,462,307</u>	<u>2,188,817</u>
Excess of Revenues Over (Under) Expenditures	<u>2,896,935</u>	<u>4,998,868</u>	<u>2,101,933</u>
<u>Other Financing Sources (Uses)</u>			
Reimbursements Received	170,725	170,725	-
Operating Transfers - In	4,324	4,324	-
Operating Transfers - Out	<u>(3,833,023)</u>	<u>(3,189,357)</u>	<u>643,666</u>
Total Other Financing Sources (Uses)	<u>(3,657,974)</u>	<u>(3,014,308)</u>	<u>643,666</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(761,039)	1,984,560	2,745,599
Fund Balance at Beginning of Year, Restated (See Note 17)	9,416,211	9,416,211	-
Encumbrances at End of Year	<u>451,418</u>	<u>451,418</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>9,106,590</u>	\$ <u>11,852,189</u>	\$ <u>2,745,599</u>

Continued

See Accompanying Notes to the General Purpose Financial Statements

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Special Revenue Funds</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
<u>Revenues</u>			
Property Taxes	\$ 564,426	\$ 575,180	\$ 10,754
Intergovernmental	622,000	660,345	38,345
Charges for Services	668,950	700,265	31,315
Licenses and Permits	107,597	349,382	241,785
Fines and Forfeitures	110,000	85,298	(24,702)
Investment Income	2,000,000	2,599,318	599,318
Other	214,870	157,241	(57,629)
Total Revenues	<u>4,287,843</u>	<u>5,127,029</u>	<u>839,186</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	1,222,730	1,085,798	136,932
Leisure Time Activities	2,475,201	2,130,687	344,514
Community Environment	128,036	-	128,036
Basic Utility Services	377	-	377
Transportation	1,312,316	626,000	686,316
General Government	94,096	88,347	5,749
Total Expenditures	<u>5,232,756</u>	<u>3,930,832</u>	<u>1,301,924</u>
Excess of Revenues Over (Under) Expenditures	<u>(944,913)</u>	<u>1,196,197</u>	<u>2,141,110</u>
<u>Other Financing Sources (Uses)</u>			
Reimbursements	2,403	2,403	-
Operating Transfers - In	1,775,803	1,775,803	-
Total Other Financing Sources (Uses)	<u>1,778,206</u>	<u>1,778,206</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	833,293	2,974,403	2,141,110
Fund Balance at Beginning of Year, Restated (See Note 17)	3,968,614	3,968,614	-
Encumbrances at End of Year	<u>55,063</u>	<u>55,063</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>4,856,970</u>	\$ <u>6,998,080</u>	\$ <u>2,141,110</u>

Continued

See Accompanying Notes to the General Purpose Financial Statements

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Debt Service Funds</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	\$ 2,539,914	\$ 2,614,187	\$ 74,273
Special Assessments	509,438	830,806	321,368
Other	<u>40,562</u>	<u>66,150</u>	<u>25,588</u>
Total Revenues	<u>3,089,914</u>	<u>3,511,143</u>	<u>421,229</u>
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	1,635,500	1,602,245	33,255
Interest and Fiscal Charges	<u>1,396,871</u>	<u>1,370,016</u>	<u>26,855</u>
Total Expenditures	<u>3,032,371</u>	<u>2,972,261</u>	<u>60,110</u>
Excess of Revenues Over (Under) Expenditures	57,543	538,882	481,339
Fund Balance at Beginning of Year	<u>1,810,818</u>	<u>1,810,818</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>1,868,361</u>	\$ <u>2,349,700</u>	\$ <u>481,339</u>

Continued

See Accompanying Notes to the General Purpose Financial Statements

CITY OF SOLON, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Property Taxes	\$ 451,908	\$ 434,985	\$ (16,923)
Municipal Income Taxes	6,586,441	6,515,919	(70,522)
Investment Income	32,751	44,248	11,497
Other	<u>55,000</u>	<u>28,795</u>	<u>(26,205)</u>
Total Revenues	<u>7,126,100</u>	<u>7,023,947</u>	<u>(102,153)</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Basic Utility Services	2,655,662	1,041,943	1,613,719
Transportation	6,283,339	2,159,603	4,123,736
General Government	330,112	448,720	(118,608)
Capital Outlay	29,160,334	13,730,711	15,429,623
Debt Service:			
Principal Retirement	2,432,348	2,345,648	86,700
Interest and Fiscal Charges	<u>88,614</u>	<u>90,943</u>	<u>(2,329)</u>
Total Expenditures	<u>40,950,409</u>	<u>19,817,568</u>	<u>21,132,842</u>
Excess of Revenues Over (Under) Expenditures	<u>(33,824,309)</u>	<u>(12,793,621)</u>	<u>21,030,688</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers - In	2,111,385	1,936,230	(175,155)
Operating Transfers - Out	(550,000)	(550,000)	-
Proceeds Sale of Debt	<u>3,422,249</u>	<u>8,440,720</u>	<u>5,018,471</u>
Total Other Financing Sources (Uses)	<u>4,983,634</u>	<u>9,826,950</u>	<u>4,843,316</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(28,840,675)</u>	<u>(2,966,671)</u>	<u>25,874,004</u>
Fund Balance at Beginning of Year	24,021,575	24,021,575	-
Encumbrances at End of Year	<u>8,859,302</u>	<u>8,859,302</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,040,202</u>	<u>\$ 29,914,206</u>	<u>\$ 25,874,004</u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Expendable Trust</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
<u>Revenues</u>			
Other	\$ <u>429,000</u>	\$ <u>247,145</u>	\$ <u>(181,855)</u>
<u>Expenditures</u>			
Current Operations and Maintenance:			
Security of Persons and Property	82,777	19,394	63,383
Leisure Time Activities	33,183	2,965	30,218
General Government	<u>418,648</u>	<u>185,963</u>	<u>232,685</u>
Total Expenditures	<u>534,608</u>	<u>208,322</u>	<u>326,286</u>
Excess of Revenues Over (Under) Expenditures	(105,608)	38,823	144,431
Fund Balance at Beginning of Year, Restated (See Note 17)	102,216	102,216	-
Reserve for Encumbrances	<u>4,211</u>	<u>4,211</u>	<u>-</u>
Fund Balance at End of Year	\$ <u>819</u>	\$ <u>145,250</u>	\$ <u>144,431</u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF SOLON, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE DECEMBER 31, 1999

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 7,179,701
Miscellaneous Income	<u>57,342</u>
Total Operating Revenues	<u>7,237,043</u>
<u>Operating Expenses</u>	
Personal Services	2,007,651
Travel and Education	5,423
Contractual Services	458,922
Materials and Supplies	708,629
Depreciation	2,542,006
Other	<u>321,482</u>
Total Operating Expenses	<u>6,044,113</u>
Operating Income	1,192,930
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income	7,832
Interest Expense	(637,147)
Reimbursements Received	<u>6,877</u>
Total Non-Operating Revenues (Expenses)	<u>(622,438)</u>
Net Income	570,492
Deficit at Beginning of Year, Restated (See Note 17)	<u>(41,661,063)</u>
Deficit at End of Year	<u>(41,090,571)</u>
Contributed Capital at Beginning of Year	93,038,118
Contributions of Fixed Assets	<u>1,490,529</u>
Contributed Capital at End of Year	<u>94,528,647</u>
Total Fund Equity at End of Year	\$ <u>53,438,076</u>

See Accompanying Notes to the General Purpose Financial Statements

CITY OF SOLON, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise Funds</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
<u>Revenues</u>			
Charges for Services	\$ 6,425,906	\$ 7,079,810	\$ 653,904
Investment Income	7,207	7,832	625
Miscellaneous Income	41,815	48,183	6,368
Total Revenues	<u>6,474,928</u>	<u>7,135,825</u>	<u>660,897</u>
<u>Expenses</u>			
Current Operations and Maintenance:			
Personal Services	1,920,549	1,874,972	45,577
Travel and Education	5,755	5,498	257
Contractual Services	2,833,348	2,329,580	503,768
Materials and Supplies	733,926	717,001	16,925
Other	305,828	313,775	(7,947)
Debt Service:			
Principal Retirement	982,188	938,360	43,828
Interest and Fiscal Charges	687,316	656,645	30,671
Total Expenses	<u>7,468,910</u>	<u>6,835,831</u>	<u>633,079</u>
Excess of Revenues Over (Under) Expenses	(933,982)	299,994	1,293,976
<u>Other Financing Sources (Uses)</u>			
Reimbursements Received	6,231	6,877	646
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Uses	(987,751)	306,871	1,294,622
Fund Balance at Beginning of Year, Restated (See Note 17)	6,853,420	6,853,420	-
Encumbrances at End of Year	<u>123,721</u>	<u>123,721</u>	-
Fund Balance at End of Year	<u>\$ 5,989,390</u>	<u>\$ 7,284,012</u>	<u>\$ 1,294,622</u>

See Accompanying Notes to the General Purpose Financial Statements.

CITY OF SOLON, OHIO

COMBINED STATEMENT OF CASH FLOWS -PROPRIETARY FUND TYPE

DECEMBER 31, 1999

	<u>Enterprise</u>
<u>Increase in Cash and Cash Equivalents</u>	
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 7,079,810
Cash Payments for Personal Services	(1,872,475)
Cash Payments for Travel and Education	(5,498)
Cash Payments for Contractual Services	(695,767)
Cash Payments to Vendors for Supplies and Materials	(734,916)
Other Operating Revenues	48,183
Other Operating Expenses	<u>(313,775)</u>
Cash Provided by Operating Activities	<u>3,505,562</u>
Cash Flows From Financing Activities:	
Cash Payments for Principal Retirement	<u>(938,360)</u>
Cash Flows From Investing Activities:	
Interest Income	<u>7,832</u>
Cash Flows From Capital and Related Financing Activities:	
Interest and Fiscal Charges	(656,645)
Reimbursements Received	6,877
Acquisition of Capital Assets	(1,485,213)
Principal Payments on Capital Lease	<u>(9,461)</u>
Cash Used in Capital and Related Financing Activities:	<u>(2,144,442)</u>
Net Increase in Cash and Cash Equivalents	430,592
Cash and Cash Equivalents at Beginning of Year, Restated (See Note 17)	<u>6,853,420</u>
Cash and Cash Equivalents at End of Year	\$ <u>7,284,012</u>

Continued

See Accompanying Notes to the General Purpose Statements

CITY OF SOLON, OHIO

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE (CONTINUED) DECEMBER 31, 1999

	<u>Enterprise</u>
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 1,192,930
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities:	
Depreciation	2,542,006
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(107,851)
Increase in Material and Supplies Inventory	(20,682)
Decrease in Accounts Payable	(235,760)
Increase in Accrued Pension	2,815
Increase in Accrued Wages and Benefits	1,825
Increase in Compensated Absences	<u>130,279</u>
Net Cash Provided by Operating Activities	\$ <u>3,505,562</u>

Noncash Investing, Capital, and Financing Activities:

In 1999, the Enterprise Funds acquired fixed assets of \$1,490,529 via governmental contributions.

See Accompanying Notes to the General Purpose Statements

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Solon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. THE 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 City of Solon is divided into various departments and financial management and control systems. The City departments include a public safety department, a public service and street maintenance department, a sanitation system, a parks and recreation department, Grantwood Recreation Park, a planning and zoning department, a waste water treatment system, and a finance department which also provides staff support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process and therefore is included as a part of the reportable entity.

As defined by generally accepted accounting principles established by the Government Accounting Standards Board (GASB Statement No. 14), the financial reporting entity consists of the City (the primary government), as well as its component units. Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based upon the foregoing criteria, these financial statements do not include any component units.

The City participates in a shared risk pool. This organization is the Northern Ohio Risk Management Association (NORMA). This organization is presented in Note 12.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

B. BASIS OF PRESENTATION — FUND ACCOUNTING (CONTINUED)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the City's governmental fund types:

GENERAL FUND

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

SPECIAL REVENUE FUNDS

The special revenue funds are established to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

CAPITAL PROJECTS FUNDS

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

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the City's proprietary fund type:

ENTERPRISE FUND

The enterprise funds are used to account for the City's sewer operations, landfill and golf course. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

FIDUCIARY FUNDS

TRUST AND AGENCY FUNDS

To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's trust funds are all considered to be expendable. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

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

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long term liabilities related to specific funds and those of a general nature, the following account groups are used:

GENERAL FIXED ASSETS ACCOUNT GROUP

The general fixed assets account group is used to account for fixed assets other than those accounted for in the proprietary fund.

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary fund.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

C. BASIS OF ACCOUNTING (CONTINUED)

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types and agency funds. Under this method of accounting, the City recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term and special assessment debt are recognized when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues accrued at the end of the year included income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, and reimbursements due from federally funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers; and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting is used for reporting purposes by the proprietary funds. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Unbilled service charges are recognized as revenue at year end.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Special assessment installments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 1999 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue as further described in Note 5.

D. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

TAX BUDGET

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except Agency funds, are legally required to be budgeted.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

D. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 1999.

ANNUAL ESTIMATE

The Mayor, with the assistance of the Finance Director, is required by charter to submit to Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

APPROPRIATIONS

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or before March 31. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations.

BUDGETED LEVEL OF EXPENDITURE

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, except the General Fund, council appropriations are made to wages and other expenditures. General Fund expenditures are appropriated by department to wages and other expenditures. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

D. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-generally accepted accounting principles budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the generally accepted accounting principles basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

E. POOLED CASH AND INVESTMENTS

The City pools individual cash balances in a bank account and short-term cash equivalents for investment purposes. These balances are stated at fair value.

POLICIES AND PRACTICES

Interest allocation is determined by the Ohio Constitution, state statutes, and local ordinances adopted under City Charter.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Receivables and payables arising between funds for goods provided or services rendered are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund receivables/payables".

G. INVENTORY OF SUPPLIES

Inventory is valued at cost on a first-in, first-out basis. At December 31, 1999 the General and Enterprise Funds maintained the only significant inventory. The costs of governmental fund type inventories are recorded as expenditures in the fund when purchased. The reserve for inventory indicates that a portion of the fund balance is not available for future expenditures. For proprietary funds, inventory is expended when consumed.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

H. FIXED ASSETS

The fixed asset values were initially determined at December 31, 1988, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair value on the date donated. In 1998, these values were revised as a result of a new inventory and appraisal being performed.

GENERAL FIXED ASSETS

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost in the general fixed asset account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the government.

PROPRIETARY FUND FIXED ASSETS

Fixed assets associated with enterprise funds activities are accounted for in that fund. Depreciation is calculated using the straight line method over the assets' estimated useful lives. The assets of the enterprise funds are depreciated on the following basis:

	<u>Years</u>
Buildings	7 - 45
Machinery and Equipment	6 - 40
Vehicles	5 - 7
Sewer Lines	45

CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax - exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1999, net interest costs incurred on construction projects were not material.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

I. LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's outstanding debt has been split among the appropriate funds and account group. Debt Service Fund resources used to pay both principal and interest have also been allocated accordingly.

J. CONTRIBUTED CAPITAL

Contributed capital represents donations by developers, contributions made by the City and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

Prior to 1988, the City had not prepared its financial statements in accordance with generally accepted accounting principles. Therefore, the exact amount of contributed capital pertaining to years prior to 1988 cannot be determined. It has been the policy of the City to construct and acquire capital assets used in operations of the sewer fund with resources of the capital projects funds or through donations by developers. These assets are recorded as contributed capital in the accompanying combined financial statements.

K. RESERVES OF FUND EQUITY

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory of supplies and materials, and advances to other funds.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

L. INTERFUND TRANSACTIONS (CONTINUED)

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the Enterprise Funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the General Fund, Capital Projects Fund, or Debt Service Funds (when financed with debt proceeds) are classified as residual equity transfers. A transfer of \$23,000 to the Agency Fund is not included for reporting purposes.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

M. INTERGOVERNMENTAL REVENUES

In governmental funds, federal grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

N. MEMORANDUM ONLY - TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Statement Overview are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - ACCOUNTING AND FINANCIAL REPORTING FOR PROPRIETARY FUNDS

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's Charter specifies that investments of the City will adhere to State statutes. Under these statutes, the Finance Director is responsible for selecting depositories and investing funds. The City, by statute, is to limit deposits and investments of City funds to insured demand deposit accounts, certificates of deposit, United States treasury bills, or obligations of other United States governmental agencies for which the principal and interest is guaranteed by the United States government, and repurchase agreements.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Protection of City cash and investments is provided by the various federal deposit insurance corporations as well as qualified securities pledged by the institutions holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110% of public funds deposited. At least quarterly, the City determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits. At year end, the carrying amount of the City's deposit was \$6,862,356 and the bank balance was \$6,384,944. Of the bank balance:

1. \$400,000 was covered by the federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City.
2. \$5,984,944 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or their trust departments or agents is not in the City's name.

Investments. The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Star Ohio	\$ -	\$ 5,483,762	\$ 5,483,762
United States Government Securities	<u>46,028,589</u>	<u>46,028,589</u>	<u>46,028,589</u>
Total Investments	\$ <u>46,028,589</u>	\$ <u>51,512,351</u>	\$ <u>51,512,351</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined as investments with original maturities of three months or less.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>
GASB 9	\$ 58,374,707	\$ -
Investments:		
Star Ohio	(5,483,762)	5,483,762
US Government Securities	<u>(46,028,589)</u>	<u>46,028,589</u>
GASB 3	\$ <u>6,862,356</u>	\$ <u>51,512,351</u>

Other investments of the City at December 31, 1999, consist of \$5,483,762 on deposit with the State Treasury Asset Reserve of Ohio (Star Ohio), for which carrying value of both equals market value. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 1999. The amounts invested with STAR Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

NOTE 4 - INCOME TAX

The City levies and collects an income tax of 2.0% 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% 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.

The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the general and capital projects funds. Income tax revenue for 1999 on a GAAP basis was \$26,143,337. The actual cash collected in 1999 was \$26,063,676.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the state statute at 35 percent of appraised market value. All property is required to be reappraised every six years with an update every third year. The last reappraisal was completed in 1997. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Solon. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1999, was \$4.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 720,557,060
Public Utility	27,275,100
Tangible Personal	<u>204,302,253</u>
Total	\$ <u>952,134,413</u>

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, intergovernmental receivables arising from grants, entitlements of shared revenues, special assessments and interest on investments. All receivables are considered fully collectible.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES (CONTINUED)

A summary of the principal items of intergovernmental receivables follows:

<u>Fund Type/Fund</u>	<u>Amounts</u>
General Fund	
Local Government Support	\$ 33,320
Liquor Tax	5,965
Fines	<u>77,764</u>
Total General Fund	<u>117,049</u>
Special Revenue Funds	
State Highway	
Permissive Tax	283
Gasoline Tax	2,597
Auto Reg	695
Street Construction, Maintenance & Repair	
Permissive Tax	3,492
Gasoline Tax	32,029
Auto Reg	8,566
Community Services	
Grants	<u>14,382</u>
Total Special Revenue Fund	<u>62,044</u>
Capital Projects Fund	
Special Assessment Construction	
Ohio Water Development Authority (O.W.D.A.)	<u>233,598</u>
Enterprise Fund	
Wastewater	
Surcharges	<u>406,019</u>
Total	\$ <u>818,710</u>

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 7 - FIXED ASSETS

A. GENERAL FIXED ASSETS

Changes in general fixed assets during 1999 were as follows:

	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Land	\$ 4,906,009	\$ 251,437	\$ -	\$ 5,157,446
Land Improvements	515,920	-	-	515,920
Building & Building Improvements	22,445,676	865,455	-	23,311,131
Furniture, Fixtures & Equipment	2,147,201	211,661	(56,527)	2,302,335
Vehicles	4,946,629	635,665	(424,631)	5,157,663
Construction in Progress	392,236	1,715,137	(364,863)	1,742,510
	<u>\$ 35,353,671</u>	<u>\$ 3,679,355</u>	<u>\$ (846,021)</u>	<u>\$ 38,187,005</u>

B. PROPRIETARY FIXED ASSETS

A summary of Proprietary Fund type property, plant and equipment at December 31, 1999 follows:

	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Land	\$ 734,300	\$ -	\$ -	\$ 734,300
Land Improvements	262,066	-	-	262,066
Building & Building Improvements	27,350,854	224,592	-	27,575,446
Furniture, Fixtures & Equipment	6,539,535	44,243	-	6,583,778
Vehicles	392,856	187,946	(9,711)	571,091
Infrastructure	60,929,014	1,848,074	-	62,777,088
Construction in Progress	224,592	895,480	(224,592)	895,480
	96,433,217	3,200,335	(234,303)	99,399,249
Less: Accumulated Depreciation	(30,124,112)	(2,542,006)	9,711	(32,656,407)
Fixed Assets Net of Depreciation	<u>\$ 66,309,105</u>	<u>\$ 658,329</u>	<u>\$ (224,592)</u>	<u>\$ 66,742,842</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of Solon contributes to the Public Employees Retirement System of Ohio ("System"), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised code. The System issues a stand-alone financial report. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's contributions to the system for the years ended December 31, 1999, 1998, 1997 were \$716,306, \$682,734, and \$584,725, respectively, equal to the required contributions for each year.

B. OHIO POLICE AND FIRE PENSION FUND

The City of Solon contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 12.5 percent and 17 percent, respectively for police officers and firefighters. The City of Solon contributions to OP&F for the years ending December 31, 1999, 1998, and 1997 were \$720,239, \$668,984, and \$617,616, respectively, equal to the required contributions for each year.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System (PERS) of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credits and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the Retirement System is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on the authority granted by State statute. The employer contribution rate was 13.55 percent of which 4.2 percent was used to fund health care in 1999.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investments earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 9 - POSTEMPLOYMENT BENEFITS (CONTINUED)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The number of benefit recipients eligible for OPEB was 118,062 as of December 31, 1999. The City's actual contributions for 1999, which were used to fund postemployment benefits, were \$321,763. The actual contribution and the actuarially required contribution rate are the same. The Retirement System's unaudited estimated net assets available for payment of benefits at December 31, 1999 were \$9,870,285,641. Expenditures for OPEB during 1999 were \$523,599,349.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. OHIO POLICE AND FIRE PENSION FUND

The OP&F provides postretirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two-thirds 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 that costs paid from the Funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighters employer contribution rate is 24 percent of covered payroll, of which 7.0 percent was applied to postemployment health care expenses. The Ohio Revised code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. The Board defined allocation was 6.5 percent and 7.0 percent of covered payroll in 1998 and 1999, respectively. The allocation is 7.25 percent in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$176,992 for police and \$166,428 for firefighters. The Fund's total health care expenses for the year ending December 31, 1998 were \$78,596,790 (the latest information available), which was net of member contributions of \$5,331,515.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

In conformity with GASB Statement No. 16, the City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 1999. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

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. Sick leave benefits are accrued as a liability using the vesting method.

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).

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

A. COMPENSATED ABSENCES (CONTINUED)

For governmental funds, the City provides a liability for unpaid accumulated sick leave, vacation time and compensation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. At December 31, 1999 these amounts were \$108,286 and \$2,884,908, respectively.

In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability. The liability for compensated absences in the proprietary fund at December 31, 1999 was \$528,385.

NOTE 11 - OUTSTANDING DEBT

A. SHORT-TERM DEBT

Notes payable at December 31, 1999, consist of the bond anticipatory note issues listed below. The outstanding issues are dated 6-01-99 and 6-15-99, respectively and are due on 6-01-00 and 6-15-00, respectively.

A summary of all short-term debt activity for the year ended December 31, 1999 follows:

			Balance December 31, <u>1998</u>	(Retired) <u>Issued</u>	Balance December 31, <u>1999</u>
4.00%	12-9-98	Kruse Drive	\$ 2,285,000	\$ (2,285,000)	\$ -
4.00%	6-01-99	Kruse Drive	-	2,425,000	2,425,000
3.60%	6-15-99	Municipal Service Center Improvement	-	6,000,000	6,000,000
Total Short-Term Debt			\$ <u>2,285,000</u>	\$ <u>6,140,000</u>	\$ <u>8,425,000</u>

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. There are also limitations on the number of times notes can be renewed.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 11 - OUTSTANDING DEBT (CONTINUED)

B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 1999 was as follows:

			Balance December 31, <u>1998</u>	(Retired) Issued	Balance December 31, <u>1999</u>
<u>General Obligation Bonds</u>					
*12.25%	1982	Grantwood Park Improvements	\$ 220,000	\$ (55,000)	\$ 165,000
12.25%	1982	Central Wastewater	600,000	(150,000)	450,000
5.19%	1993	New City Hall Construction	6,085,000	(280,000)	5,805,000
4.88%	1996	LTGO Refunding	5,050,000	(480,000)	4,570,000
5.70%	1997	Library Building	<u>3,540,000</u>	<u>(110,000)</u>	<u>3,430,000</u>
		Total General Obligation Bonds	\$ <u>15,495,000</u>	\$ <u>(1,075,000)</u>	\$ <u>14,420,000</u>

* These General Obligation Bonds are voted bonds and are not included in the legal debt margin computation.

Special Assessment Bonds

6.25%	1979	Davis Drive	\$ 35,000	\$ (35,000)	\$ -
6.62%	1979	CBS Sanitary	34,000	(17,000)	17,000
8.62%	1980	Bruce Industrial Parkway	80,000	(40,000)	40,000
8.25%	1985	Sherbrook Drive	735,000	(105,000)	630,000
6.31%	1992	County Issued Miles Sewer	876,500	-	876,500
5.72%	1992	Various Purpose Improvements	<u>3,460,000</u>	<u>(170,000)</u>	<u>3,290,000</u>
		Total Special Assessment Bonds	\$ <u>5,220,500</u>	\$ <u>(367,000)</u>	\$ <u>4,853,500</u>

Loans from State Agencies - Enterprise Fund Loans

3.04%	1996	OWDA Loan 190SRF	\$ 16,819,717	\$ (768,775)	\$ 16,050,942
4.30%	1993	OWDA Loan 181SRF	2,810,792	(137,002)	2,673,790
6.25%	1977	OWDA Loan 896032	297,177	(16,368)	280,809
3.54%	1997	OWDA Loan 190SRFS*	<u>370,404</u>	<u>(16,215)</u>	<u>354,189</u>
		Total Enterprise Fund Loans	<u>20,298,090</u>	<u>(938,360)</u>	<u>19,359,730</u>

General Long-Term Debt Loans

4.30%	1993	OWDA Loan 181SRF	2,042,606	(99,208)	1,943,398
0.00%	1996	OPWC Loan	761,836	(47,615)	714,221
4.16%	1997	OWDA Loan 332SRF	1,383,149	(52,936)	1,330,213
0.00%	1999	OPWC Loan	<u>195,500</u>	<u>(13,033)</u>	<u>182,467</u>
		Total General Long-Term Debt Loans	<u>4,383,091</u>	<u>(212,792)</u>	<u>4,170,299</u>
		Total OWDA and OPWC Loans	\$ <u>24,681,181</u>	\$ <u>(1,151,152)</u>	\$ <u>23,530,029</u>

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

B. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (CONTINUED)

In 1996, the City defeased general obligation bonds issued by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's General Long-Term Debt Account Group. As of December 31, 1999, the amount of defeased debt outstanding amounted to \$4,570,000.

C. OTHER LONG-TERM OBLIGATIONS

	Balance December 31, <u>1998</u>	(Retired) <u>Issued</u>	Balance December 31, <u>1999</u>
Capitalized Lease Agreements			
American Financial Resources:			
Copier/Fax - Mayor's Office	\$ 1,865	\$ (1,317)	\$ 548
Large Page Copier -Engineer Dept	999	(999)	-
Ricoh Corporation:			
Color Copier	1,374	(1,374)	-
Ford Motor Credit Company:			
Pick-up Truck	1,512	(1,512)	-
Associates Commercial Corporation:			
Fairway Mower	<u>7,949</u>	<u>(7,949)</u>	<u>-</u>
Total Capital Leases	13,699	(13,151)	548
Accrued Compensated Absences	1,828,758	1,056,150	2,884,908
Accrued Pension	<u>23,213</u>	<u>71,348</u>	<u>94,561</u>
Total Other Long-Term Obligations	\$ <u>1,865,670</u>	\$ <u>1,114,347</u>	\$ <u>2,980,017</u>
Total All Long-Term Obligations	\$ <u>47,262,351</u>	\$ <u>(1,478,805)</u>	\$ <u>45,783,546</u>

The City's overall legal debt margin was \$76,371,377 at December 31, 1999. The unvoted legal debt margin was \$33,330,507.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

C. OTHER LONG-TERM OBLIGATIONS - CONTINUED

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 1999 were as follows:

	General Obligation Bonds	Special Assessment Bonds	OWDA Loans	OPWC Loans	Total
2000	\$ 1,884,917	\$ 685,239	\$ 1,890,742	\$ 60,648	\$ 4,521,546
2001	1,865,825	616,263	1,890,742	60,648	4,433,478
2002	1,843,790	604,832	1,890,742	60,648	4,400,012
2003	1,628,562	600,619	1,890,742	60,648	4,180,571
2004	1,624,712	589,849	1,890,742	60,648	4,165,951
2005-2009	6,750,227	2,447,924	9,453,709	303,240	18,955,100
2010-2014	4,115,412	1,405,368	8,889,021	290,208	14,700,009
Thereafter	<u>653,500</u>	<u>-</u>	<u>1,523,337</u>	<u>-</u>	<u>2,176,837</u>
Total	\$ <u>20,366,945</u>	\$ <u>6,950,094</u>	\$ <u>29,319,777</u>	\$ <u>896,688</u>	\$ <u>57,533,504</u>

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired through the Special Assessment Bond Retirement Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

General obligation bonds are the direct obligation of the City and will be paid from the Bond Retirement Debt Service Fund using property tax revenues. The OWDA and OPWC general long-term loans are being paid from the Bond Retirement Debt Service Fund. The OWDA enterprise fund loans are being paid from the Sewer Revenue Enterprise Fund.

The accrued pension and compensated absences payable will be paid by the fund from which the employee's salary is paid.

NOTE 12 - RISK MANAGEMENT - SHARED RISK POOL

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the Cities of Maple Heights, Bedford Heights, Eastlake, Highland Heights, Hudson, Mayfield Heights, Richmond Heights, Solon, and South Euclid and the Village of Chagrin Falls for the purpose of enabling 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 commit to the Association for terms of three years.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's equity based on the City's percentage of contributions. 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 \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 1999, NORMA had an aggregate stop loss of \$450,000 per policy year.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 12 - RISK MANAGEMENT - SHARED RISK POOL - CONTINUED

Any losses 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.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

For the year ended December 31, 1999, the percentage of contributions by the members and their equity interests are:

	<u>Percentage</u>
City of Maple Heights	14.2%
City of Bedford Heights	10.9
Village of Chagrin Falls	4.5
City of Eastlake	10.9
City of Highland Heights	5.4
City of Mayfield Heights	10.0
City of Richmond Heights	5.4
City of Solon	16.4
City of South Euclid	11.1
City of Hudson	<u>11.2</u>
Total	<u>100.0%</u>

In 1999, the City of Solon paid \$158,088 in premiums which represent 16.4 percent of total premiums. Financial information can be obtained by contacting the Finance Director at the City of Bedford Heights, who serves as fiscal agent.

The City continues to carry workers' compensation insurance through the State of Ohio and commercial insurance for employee health insurance.

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains Enterprise Funds in which the operations are accounted for, financed and recorded in a manner similar to that of private enterprises whereby it is the City's intent that the costs of providing these goods or services be financed primarily through user charges.

Segment information for the Enterprise Funds is summarized as follows:

For The Year Ended	Sewer	Sewer Plant	OWDA Srv	Grantwood	Landfill	Forest Hill	Sewer System	Total
December 31, 1999	Revenue	R & I	Project Loans	Recreation		Waterline	Evaluation	
Operating Revenues \$	5,296,461	\$ 571,736	\$ -	\$ 1,360,954	\$ 5,000	\$ 2,892	\$ -	\$ 7,237,043
Depreciation Expense	1,970,069	86,054	411,636	74,247	-	-	-	2,542,006
Operating Income (Loss)	1,111,058	562,542	(411,636)	(81,821)	9,895	2,892	-	1,192,930
Net Income (Loss)	391,164	562,542	(322,658)	(73,858)	10,410	2,892	-	570,492
As Of December 31, 1999:								
Cash Provided By (Used In)								
Operating Activities	2,937,964	534,952	-	69,129	(39,375)	2,892	-	3,505,562
Net Working Capital	3,219,800	1,828,381	371,317	(707,970)	1,287,376	22,796	33,264	6,054,964
Total Assets	55,290,181	4,998,976	10,846,149	2,109,285	1,287,424	22,796	33,264	74,588,075
Total Fund Equity	35,153,454	4,913,672	10,846,149	1,181,365	1,287,376	22,796	33,264	53,438,076

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 14 - 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 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (generally accepted accounting principles), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statements of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the generally accepted accounting principles basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (generally accepted accounting principles basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (generally accepted accounting principles basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds, and note disclosure for Proprietary Funds (generally accepted accounting principles basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

	<u>Excess of Revenues and Other Financing Sources Over (Under)</u> <u>Expenditures and Other Financing Uses</u>				
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Expendable</u> <u>Trust</u>
GAAP Basis	\$ 2,662,969	\$ 2,740,527	\$ 1,447,231	\$ (1,292,883)	\$ 43,034
Increase (Decrease) Due to:					
Revenue Accruals	(114,304)	326,940	(908,349)	8,193,908	-
Expenditure Accruals	(112,687)	(38,001)	-	(1,008,394)	
Net Impact of Encumbrances on					
Budget Basis Expenditures	<u>(451,418)</u>	<u>(55,063)</u>	<u>-</u>	<u>(8,859,302)</u>	<u>(4,211)</u>
Budgetary Basis	\$ <u>1,984,560</u>	\$ <u>2,974,403</u>	\$ <u>538,882</u>	\$ <u>(2,966,671)</u>	\$ <u>38,823</u>

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

	<u>Enterprise Funds</u>
Net Income	\$ 570,492
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals	(109,050)
Expense Accruals	(2,593,538)
Increase in Inventory	20,682
Depreciation Expense	2,542,006
Budget Basis Encumbrances	<u>(123,721)</u>
Budget Basis	\$ <u>306,871</u>

NOTE 16 - ACCOUNTABILITY: FUND EQUITY/RETAINED EARNINGS DEFICITS

<u>Special Revenue Funds:</u>	
Police Pension	\$ 33,116
Fire Pension	13,547
Recreation	133,808
<u>Capital Projects Fund:</u>	
Kruse Drive Extension	2,472,588
<u>Enterprise Funds:</u>	
Sewer Revenue	57,428,401
Grantwood	765,428

The Recreation, Police Pension, Fire Pension Special Revenue Funds, and the Kruse Drive Extension Capital Projects Fund deficits are the result of reporting on a generally accepted accounting principles (GAAP) basis. The City operates on a budgetary basis, which reflects a positive fund balance for all Funds.

The Sewer Revenue Fund retained earnings deficit is the result of accumulated operating losses on a GAAP basis. Contributed capital of \$92,581,857 results in positive fund equity of \$35,153,453.

The Grantwood Fund retained earnings deficit is the result of accumulated operating losses on a GAAP basis. Contributed capital of \$1,946,793 results in positive fund equity of \$1,181,365.

CITY OF SOLON, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 1999

NOTE 17 - RESTATEMENT OF PRIOR YEAR'S CASH FUND BALANCE

Under the City of Solon's new administration, the City reclassified several funds from the General Fund and Special Revenue Funds to Agency Funds and Expendable Trust Funds. To re-establish these funds the following adjustments have been made in order to restate the January 1, 1999 Cash Fund Balance in the General Fund, Special Revenue Funds, Enterprise Funds, Expendable Trust Funds, and the Agency Funds:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
Cash Fund Balance, as of December 31, 1998	\$ 9,516,404	\$ 4,706,528	\$ 6,800,252	\$ -	\$ -
Adjustment	<u>(100,193)</u>	<u>(737,914)</u>	<u>53,168</u>	<u>102,216</u>	<u>682,723</u>
Cash Fund Balance, as of January 1, 1999	\$ <u>9,416,211</u>	\$ <u>3,968,614</u>	\$ <u>6,853,420</u>	\$ <u>102,216</u>	\$ <u>682,723</u>

The same adjustments have been made to restate the January 1, 1999 GAAP Financial Statements Fund Balance:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>	<u>Expendable Trust Funds</u>	<u>Agency Funds</u>
Fund Balance, as of December 31, 1998	\$ 13,130,561	\$ 4,743,751	\$ (41,714,231)	\$ -	\$ -
Adjustment	<u>(100,193)</u>	<u>(737,914)</u>	<u>53,168</u>	<u>102,216</u>	<u>682,723</u>
Fund Balance, as of January 1, 1999	\$ <u>13,030,368</u>	\$ <u>4,005,837</u>	\$ <u>(41,661,063)</u>	\$ <u>102,216</u>	\$ <u>682,723</u>



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Members of City Council:

We have audited the financial statements of the City of Solon, Cuyahoga County, Ohio, (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 16, 2000 in which we noted the City reclassified several funds. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated June 16, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 16, 2000.

City of Solon
Cuyahoga County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 16, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF SOLON

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: **JUL 13 2000**