



**Mary Taylor, CPA**  
Auditor of State



**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Polaris Career Center  
Cuyahoga County  
7285 Old Oak Blvd.  
Middleburg Heights, Ohio 44130

To the Board of Education:

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 Polaris Career Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center'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 Polaris Career Center, Cuyahoga County, Ohio, as of June 30, 2008, 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 March 13, 2009, on our consideration of the Center'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 Center's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 13, 2009

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The discussion and analysis of the Polaris Career Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

### **Financial Highlights**

Key financial highlights for 2008 are as follows:

- The Center showed a decrease in total net assets of \$965,146 or 5.63 percent during this year's operations.
- Total Center-wide revenues were \$17,018,800. This was a decrease of 11.31 percent from the prior year.
- Total program expenses were \$17,983,946. This is an increase of 8.00 percent.
- The Center has no outstanding debt.
- The Center's business - type activities are comprised of the Food Service program, the Uniform School Supplies program, Customer Service programs and the Adult and Community Education program. The Adult and Community Education program operated without a general fund transfer for a fifth consecutive year, but the expenses exceeded revenues by \$255,361 in fiscal year 2008.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Center, the general fund is by far the most significant fund.

### **Reporting the Center as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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*Management's Discussion and Analysis*  
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These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational program and other factors.

In the Statement of Net Assets and the Statement of Activities, the Center is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

***Reporting the Center's Most Significant Funds***

*Fund Financial Statements*

The analysis of the Center's funds begins on page 8. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's only major governmental fund is the general fund. The Center's only major business-type fund is the adult and community education fund.

***Governmental Funds:*** Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

***Proprietary Funds:*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the Center as a whole.

**The Center as a Trustee**

The Center is a trustee or fiduciary for several programs. These activities are presented as a private purpose trust fund. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not included in the governmental activities. The Center also acts as an agent for individuals. These activities are reported in an agency fund.



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*Management's Discussion and Analysis*  
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*Unaudited*

**The Center as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2008 compared to 2007.

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and Other Assets	\$21,376,698	\$22,280,737	\$225,876	\$508,959	\$21,602,574	\$22,789,696
Capital Assets, Net	5,833,920	5,924,191	112,260	115,248	5,946,180	6,039,439
<i>Total Assets</i>	<u>27,210,618</u>	<u>28,204,928</u>	<u>338,136</u>	<u>624,207</u>	<u>27,548,754</u>	<u>28,829,135</u>
<b>Liabilities</b>						
Current and Other Liabilities	9,662,172	10,026,133	85,138	146,451	9,747,310	10,172,584
Long Term Liabilities:						
Due Within One Year	830,624	732,466	162,962	197,901	993,586	930,367
Due in More than One Year	563,888	567,991	76,639	25,716	640,527	593,707
<i>Total Liabilities</i>	<u>11,056,684</u>	<u>11,326,590</u>	<u>324,739</u>	<u>370,068</u>	<u>11,381,423</u>	<u>11,696,658</u>
<b>Net Assets</b>						
Invested in Capital Assets	5,833,920	5,924,191	112,260	115,248	5,946,180	6,039,439
Restricted:						
Capital Projects	956,185	994,305	0	0	956,185	994,305
Set Asides	241,244	241,244	0	0	241,244	241,244
Other Purposes	9,786	168	0	0	9,786	168
Unrestricted (Deficit)	9,112,799	9,718,430	(98,863)	138,891	9,013,936	9,857,321
<i>Total Net Assets</i>	<u>\$16,153,934</u>	<u>\$16,878,338</u>	<u>\$13,397</u>	<u>\$254,139</u>	<u>\$16,167,331</u>	<u>\$17,132,477</u>

Table 2 highlights the Center's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting. Revenue is further divided into two major components: Program Revenue and General Revenue. Program revenue is defined as fees, restricted grants and charges for services. General revenues include taxes and unrestricted grants such as State foundation support. Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

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*Management's Discussion and Analysis*  
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**(Table 2)**  
**Changes in Net Assets**

	Governmental		Business-Type		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$252,427	\$280,986	\$1,905,260	\$2,347,518	\$2,157,687	\$2,628,504
Operating Grants	583,162	726,114	403,715	413,855	986,877	1,139,969
<i>Total Program Revenues</i>	<u>835,589</u>	<u>1,007,100</u>	<u>2,308,975</u>	<u>2,761,373</u>	<u>3,144,564</u>	<u>3,768,473</u>
General Revenues:						
Property Taxes	9,155,732	11,141,309	0	0	9,155,732	11,141,309
Grant and Entitlements not Restricted to Specific Programs	3,938,572	3,529,259	0	0	3,938,572	3,529,259
Investment Earnings	535,153	600,353	0	0	535,153	600,353
Other	90,215	128,122	154,564	21,168	244,779	149,290
<i>Total General Revenues</i>	<u>13,719,672</u>	<u>15,399,043</u>	<u>154,564</u>	<u>21,168</u>	<u>13,874,236</u>	<u>15,420,211</u>
<i>Total Revenues</i>	<u>14,555,261</u>	<u>16,406,143</u>	<u>2,463,539</u>	<u>2,782,541</u>	<u>17,018,800</u>	<u>19,188,684</u>
<b>Program Expenses</b>						
Instruction:						
Vocational	6,490,026	6,253,569	0	0	6,490,026	6,253,569
Adult/Continuing	89,608	141,851	0	0	89,608	141,851
Support Services:						
Pupils	2,039,136	1,790,335	0	0	2,039,136	1,790,335
Instructional Staff	1,623,544	1,509,261	0	0	1,623,544	1,509,261
Board of Education	158,597	130,731	0	0	158,597	130,731
Administration	868,870	543,509	0	0	868,870	543,509
Fiscal	663,842	626,199	0	0	663,842	626,199
Business	268,613	256,464	0	0	268,613	256,464
Operation and Maintenance of Plant	1,813,536	1,763,510	0	0	1,813,536	1,763,510
Pupil Transportation	27,744	15,821	0	0	27,744	15,821
Central	1,154,810	914,408	0	0	1,154,810	914,408
Operation of Non-Instructional Services	375	107	0	0	375	107
Extracurricular Activities	40,846	29,808	0	0	40,846	29,808
Food Service Operations	0	0	181,017	217,620	181,017	217,620
Uniform School Supplies	0	0	86,162	76,698	86,162	76,698
Customer Services	0	0	211,590	167,524	211,590	167,524
Adult and Community Education	0	0	2,265,630	2,215,129	2,265,630	2,215,129
<i>Total Expenses</i>	<u>15,239,547</u>	<u>13,975,573</u>	<u>2,744,399</u>	<u>2,676,971</u>	<u>17,983,946</u>	<u>16,652,544</u>
<i>Increase (Decrease) in Net Assets before Transfers</i>	(684,286)	2,430,570	(280,860)	105,570	(965,146)	2,536,140
Transfers	(40,118)	(70,139)	40,118	70,139	0	0
<i>Increases in Net Assets</i>	(724,404)	2,360,431	(240,742)	175,709	(965,146)	2,536,140
Net Assets Beginning of Year	16,878,338	14,517,907	254,139	78,430	17,132,477	14,596,337
Net Assets End of Year	<u>\$16,153,934</u>	<u>\$16,878,338</u>	<u>\$13,397</u>	<u>\$254,139</u>	<u>\$16,167,331</u>	<u>\$17,132,477</u>

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

**Analysis of Overall Financial Position and Results of Operation**

A historical trend to underspend appropriations continued and resulted in reducing discretionary spending, this barely offset 3 percent negotiated raises. Property taxes decreased in fiscal year 2008 due to the Center receiving a one-time payment of approximately \$2 million in fiscal year 2007. The payment was for a correction to the appraised value of 2001, 2002 and 2003 personal property. The overall result is an 8.00 percent increase in expenses while the revenues decreased by 11.31 percent.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities**

Programs	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:				
Vocational	\$6,490,026	(\$6,049,431)	\$6,253,569	(\$5,730,278)
Adult/Continuing	89,608	11,114	141,851	(37,741)
Support Services:				
Pupils	2,039,136	(1,918,622)	1,790,335	(1,642,215)
Instructional Staff	1,623,544	(1,544,980)	1,509,261	(1,426,385)
Board of Education	158,597	(155,849)	130,731	(127,844)
Administration	868,870	(845,510)	543,509	(531,635)
Fiscal	663,842	(652,357)	626,199	(612,477)
Business	268,613	(263,957)	256,464	(250,825)
Operation and Maintenance of Plant	1,813,536	(1,781,190)	1,763,510	(1,724,829)
Pupil Transportation	27,744	(27,263)	15,821	(15,472)
Central	1,154,810	(1,135,397)	914,408	(839,594)
Operation of Non-Instructional Services	375	(375)	107	(28)
Extracurricular Activities	40,846	(40,141)	29,808	(29,150)
<b>Total Expenses</b>	<b>\$15,239,547</b>	<b>(\$14,403,958)</b>	<b>\$13,975,573</b>	<b>(\$12,968,473)</b>

**The Center's Funds**

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$14,834,922 a decrease of 7.03 percent from the prior year and expenditures of \$15,076,911 which were 10.76 percent higher than the prior year. The fund balance decreased in 2008 by 2.57 percent. Balances are expected to be drawn down during the next five-year projection as inflation on the Center's normal operating expenditures will exceed the every third year growth in tax collections due to the 2 mill floor.

**General Fund Budgeting Highlights**

The Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2008, the Center amended its general fund budget monthly as defined by individual team needs. The Center uses electronic budgeting process to submit requests for inclusion in the

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

June appropriation submission to the Board. Because of that early adoption of appropriations prior to completion of staffing levels, fiscal year 2008 appropriations were underspent as the Center's reallocation of resources resulted in multiple staff reductions and administration controls on approving requisitions tightened. The original general fund appropriations of \$14,979,972 were increased to \$15,579,972 by fiscal year end, but actual expenditures only amounted to \$14,684,166, resulting in underspending final appropriations by 5.75 percent.

**Capital Assets**

At the end of fiscal year 2008 the Center had \$5,946,180 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. \$5,833,920 was in governmental activities. Table 4 shows fiscal 2008 balances compared to 2007.

**(Table 4)**  
**Capital Assets at June 30, 2008**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$261,490	\$261,490	\$0	\$0	\$261,490	\$261,490
Construction in Progress	147,590	0	0	0	147,590	0
Buildings and Improvements	3,824,659	4,052,184	0	0	3,824,659	4,052,184
Furniture and Equipment	1,590,779	1,595,053	112,260	115,248	1,703,039	1,710,301
Vehicles	9,402	15,464	0	0	9,402	15,464
<b>Total</b>	<b>\$5,833,920</b>	<b>\$5,924,191</b>	<b>\$112,260</b>	<b>\$115,248</b>	<b>\$5,946,180</b>	<b>\$6,039,439</b>

The decrease was the result of current year depreciation expense. Please see Note 10 for more information.

**Center Outlook**

Most of the Center's efforts are focused on controlling expenditures. Reduction of capital purchases and staffing are first priorities with negotiations in fiscal year 2010 critical to containing staff compensation and fringe benefits. The membership in a multi-School District health consortium has held rate increases to below trends in health care.

Because the Center is at the 2 mill floor for Career Center operations, it receives regular tax revenue growth every third year. Even though the voted tax rate is 2.4 mills, due to H.B. 920 the amount of tax revenue cannot increase with the inflation of assessed valuations. This in effect reduces the tax rate to a lower "effective" rate to maintain the consistent revenue inflow. The Career Center's effective millage would be less than 2 mills, but due to the 2 mill floor, the effective rate may never go any lower than 2 mills. The key to the future is in controlling costs. Fiscal year 2008 was successful in balancing of revenues and expenditures due to controlling expenditures.

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional information, contact Dave Plahuta, Treasurer, Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130 or e-mail at [dplahuta@polaris.edu](mailto:dplahuta@polaris.edu).

**Polaris Career Center**  
*Statement of Net Assets*  
*June 30, 2008*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$11,126,455	\$228,120	\$11,354,575
Internal Balance	9,180	(9,180)	0
Inventory Held for Resale	0	766	766
Materials and Supplies Inventory	32,185	6,170	38,355
Property Taxes Receivable	10,208,878	0	10,208,878
Nondepreciable Capital Assets	409,080	0	409,080
Depreciable Capital Assets, Net	5,424,840	112,260	5,537,100
<i>Total Assets</i>	<u>27,210,618</u>	<u>338,136</u>	<u>27,548,754</u>
<b>Liabilities</b>			
Accounts Payable	95,207	7,426	102,633
Accrued Wages and Benefits Payable	1,049,770	57,307	1,107,077
Intergovernmental Payable	176,069	20,405	196,474
Contracts Payable	102,054	0	102,054
Retainage Payable	11,680	0	11,680
Deferred Revenue	8,021,683	0	8,021,683
Matured Compensated Absences Payable	152,098	0	152,098
Matured Interest Payable	250	0	250
Claims Payable	53,361	0	53,361
Long-Term Liabilities:			
Due Within One Year	830,624	162,962	993,586
Due in More Than One Year	563,888	76,639	640,527
<i>Total Liabilities</i>	<u>11,056,684</u>	<u>324,739</u>	<u>11,381,423</u>
<b>Net Assets</b>			
Invested in Capital Assets	5,833,920	112,260	5,946,180
Restricted for:			
Capital Projects	956,185	0	956,185
Set Asides	241,244	0	241,244
Other Purposes	9,786	0	9,786
Unrestricted (Deficit)	9,112,799	(98,863)	9,013,936
<i>Total Net Assets</i>	<u>\$16,153,934</u>	<u>\$13,397</u>	<u>\$16,167,331</u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction:			
Vocational	\$6,490,026	\$105,697	\$334,898
Adult/Continuing	89,608	0	100,722
Support Services:			
Pupil	2,039,136	33,887	86,627
Instructional Staff	1,623,544	27,171	51,393
Board of Education	158,597	2,748	0
Administration	868,870	14,921	8,439
Fiscal	663,842	11,485	0
Business	268,613	4,656	0
Operation and Maintenance of Plant	1,813,536	31,263	1,083
Pupil Transportation	27,744	481	0
Central	1,154,810	19,413	0
Operation of Non-Instructional Services	375	0	0
Extracurricular Activities	40,846	705	0
<i>Total Governmental Activities</i>	<u>15,239,547</u>	<u>252,427</u>	<u>583,162</u>
<b>Business-Type Activities</b>			
Food Service Operations	181,017	92,976	33,103
Uniform School Supplies	86,162	80,733	0
Customer Services	211,590	186,979	0
Adult and Community Education	2,265,630	1,544,572	370,612
<i>Total Business-Type Activities</i>	<u>2,744,399</u>	<u>1,905,260</u>	<u>403,715</u>
<i>Totals</i>	<u>\$17,983,946</u>	<u>\$2,157,687</u>	<u>\$986,877</u>

**General Revenues**

Property Taxes Levied for General Purposes  
Grants and Entitlements not  
    Restricted to Specific Programs  
Investment Earnings  
Other

Total General Revenues

Transfers

*Total General Revenues and Transfers*

*Change in Net Assets*

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$6,049,431)	\$0	(\$6,049,431)
11,114	0	11,114
(1,918,622)	0	(1,918,622)
(1,544,980)	0	(1,544,980)
(155,849)	0	(155,849)
(845,510)	0	(845,510)
(652,357)	0	(652,357)
(263,957)	0	(263,957)
(1,781,190)	0	(1,781,190)
(27,263)	0	(27,263)
(1,135,397)	0	(1,135,397)
(375)	0	(375)
(40,141)	0	(40,141)
<u>(14,403,958)</u>	<u>0</u>	<u>(14,403,958)</u>
0	(54,938)	(54,938)
0	(5,429)	(5,429)
0	(24,611)	(24,611)
<u>0</u>	<u>(350,446)</u>	<u>(350,446)</u>
<u>0</u>	<u>(435,424)</u>	<u>(435,424)</u>
<u>(14,403,958)</u>	<u>(435,424)</u>	<u>(14,839,382)</u>
9,155,732	0	9,155,732
3,938,572	0	3,938,572
535,153	0	535,153
<u>90,215</u>	<u>154,564</u>	<u>244,779</u>
13,719,672	154,564	13,874,236
<u>(40,118)</u>	<u>40,118</u>	<u>0</u>
<u>13,679,554</u>	<u>194,682</u>	<u>13,874,236</u>
(724,404)	(240,742)	(965,146)
<u>16,878,338</u>	<u>254,139</u>	<u>17,132,477</u>
<u>\$16,153,934</u>	<u>\$13,397</u>	<u>\$16,167,331</u>

**Polaris Career Center**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,589,417	\$998,663	\$10,588,080
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	241,244	0	241,244
Interfund Receivable	43,035	0	43,035
Materials and Supplies Inventory	32,185	0	32,185
Property Taxes Receivable	10,208,878	0	10,208,878
<i>Total Assets</i>	<u>\$20,114,759</u>	<u>\$998,663</u>	<u>\$21,113,422</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$95,207	\$0	\$95,207
Accrued Wages and Benefits Payable	1,049,770	0	1,049,770
Intergovernmental Payable	175,404	665	176,069
Contracts Payable	67,746	34,308	102,054
Retainage Payable	7,868	3,812	11,680
Deferred Revenue	8,819,881	0	8,819,881
Interfund Payable	0	755	755
Matured Compensated Absences Payable	152,098	0	152,098
Matured Interest Payable	0	250	250
<i>Total Liabilities</i>	<u>10,367,974</u>	<u>39,790</u>	<u>10,407,764</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	545,405	1,508	546,913
Reserved for Property Taxes	1,388,997	0	1,388,997
Reserved for Budget Stabilization	241,244	0	241,244
Unreserved, Undesignated Reported in:			
General Fund	7,571,139	0	7,571,139
Special Revenue Funds	0	1,180	1,180
Capital Projects Funds	0	956,185	956,185
<i>Total Fund Balances</i>	<u>9,746,785</u>	<u>958,873</u>	<u>10,705,658</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$20,114,759</u>	<u>\$998,663</u>	<u>\$21,113,422</u>

See accompanying notes to the basic financial statements



**Polaris Career Center**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2008*

<b>Total Governmental Fund Balances</b>		\$10,705,658
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,833,920
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes		798,198
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(1,394,512)
The internal service fund is used by management to charge the costs of insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
Net Assets	243,770	
Internal Balances	(33,100)	
Total		210,670
 <i>Net Assets of Governmental Activities</i>		<b>\$16,153,934</b>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$9,428,993	\$0	\$9,428,993
Intergovernmental	3,938,572	589,562	4,528,134
Interest	535,153	0	535,153
Tuition and Fees	248,892	0	248,892
Rentals	3,535	0	3,535
Miscellaneous	90,215	0	90,215
<i>Total Revenues</i>	<u>14,245,360</u>	<u>589,562</u>	<u>14,834,922</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Vocational	5,831,444	332,368	6,163,812
Adult/Continuing	0	82,349	82,349
Support Services:			
Pupil	1,945,982	86,146	2,032,128
Instructional Staff	1,548,489	47,157	1,595,646
Board of Education	158,597	0	158,597
Administration	829,859	7,506	837,365
Fiscal	660,780	0	660,780
Business	266,282	0	266,282
Operation and Maintenance of Plant	1,784,425	663	1,785,088
Pupil Transportation	27,744	0	27,744
Central	1,063,743	0	1,063,743
Operation of Non-instructional Services	0	375	375
Extracurricular Activities	40,846	0	40,846
Capital Outlay	324,036	38,120	362,156
<i>Total Expenditures</i>	<u>14,482,227</u>	<u>594,684</u>	<u>15,076,911</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(236,867)</u>	<u>(5,122)</u>	<u>(241,989)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	22,028	22,028
Transfers Out	(62,146)	0	(62,146)
<i>Total Other Financing Sources (Uses)</i>	<u>(62,146)</u>	<u>22,028</u>	<u>(40,118)</u>
<i>Net Change in Fund Balances</i>	(299,013)	16,906	(282,107)
<i>Fund Balances Beginning of Year</i>	<u>10,045,798</u>	<u>941,967</u>	<u>10,987,765</u>
<i>Fund Balances End of Year</i>	<u>\$9,746,785</u>	<u>\$958,873</u>	<u>\$10,705,658</u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

**Net Change in Fund Balances -Total Governmental Funds** (\$282,107)

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	413,714	
Current Year Depreciation	<u>(503,985)</u>	
Total		(90,271)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(273,261)	
Intergovernmental	<u>(6,400)</u>	
Total		(279,661)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(94,055)

An internal service fund used by management to charge the cost of insurance to individual funds is not reported in the expenditures and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

Change in Net Assets	25,098	
Internal Balances	<u>(3,408)</u>	
Total		<u>21,690</u>

*Change in Net Assets of Governmental Activities* (\$724,404)

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Property Taxes	\$9,320,404	\$9,216,880	\$9,710,783	\$493,903
Intergovernmental	3,780,239	3,938,572	3,938,572	0
Interest	520,918	542,736	542,736	0
Tuition and Fees	239,606	249,642	249,642	0
Rentals	3,393	3,535	3,535	0
Miscellaneous	79,570	82,903	90,215	7,312
<i>Total Revenues</i>	13,944,130	14,034,268	14,535,483	501,215
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	5,270,942	5,977,690	5,940,761	36,929
Support Services:				
Pupil	1,931,746	1,931,746	1,808,200	123,546
Instructional Staff	1,657,862	1,626,852	1,560,821	66,031
Board of Education	192,333	192,333	183,697	8,636
Administration	901,096	850,915	811,538	39,377
Fiscal	616,552	666,693	666,693	0
Business	325,545	325,545	270,162	55,383
Operation and Maintenance of Plant	2,213,602	2,073,104	1,904,416	168,688
Pupil Transportation	33,305	33,305	32,422	883
Central	1,514,235	1,515,695	1,126,207	389,488
Extracurricular Activities	24,073	44,413	44,413	0
Capital Outlay	298,681	341,681	334,836	6,845
<i>Total Expenditures</i>	14,979,972	15,579,972	14,684,166	895,806
<i>Excess of Revenues Under Expenditures</i>	(1,035,842)	(1,545,704)	(148,683)	1,397,021
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(75,000)	(75,000)	(62,146)	12,854
Advances In	27,542	27,542	27,542	0
Advances Out	(125,000)	(125,000)	(755)	124,245
<i>Total Other Financing Sources (Uses)</i>	(172,458)	(172,458)	(35,359)	137,099
<i>Net Change in Fund Balances</i>	(1,208,300)	(1,718,162)	(184,042)	1,534,120
<i>Fund Balance at Beginning of Year</i>	8,990,410	8,990,410	8,990,410	0
Prior Year Encumbrances Appropriated	431,238	431,238	431,238	0
<i>Fund Balance End of Year</i>	\$8,213,348	\$7,703,486	\$9,237,606	\$1,534,120

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Adult and Community Education</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>	
<b>Assets</b>				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$128,519	\$99,601	\$228,120	\$297,131
Inventory Held for Resale	0	766	766	0
Materials and Supplies Inventory	0	6,170	6,170	0
<i>Total Current Assets</i>	128,519	106,537	235,056	297,131
<i>Noncurrent Assets</i>				
Depreciable Capital Assets, Net	85,390	26,870	112,260	0
<i>Total Assets</i>	213,909	133,407	347,316	297,131
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	7,426	0	7,426	0
Accrued Wages and Benefits Payable	48,163	9,144	57,307	0
Intergovernmental Payable	14,579	5,826	20,405	0
Interfund Payable	0	42,280	42,280	0
Claims Payable	0	0	0	53,361
Compensated Absences Payable	162,840	11,909	174,749	0
<i>Total Current Liabilities</i>	233,008	69,159	302,167	53,361
<i>Long-Term Liabilities</i>				
Compensated Absences Payable	64,733	119	64,852	0
<i>Total Liabilities</i>	297,741	69,278	367,019	53,361
<b>Net Assets</b>				
Invested in Capital Assets	85,390	26,870	112,260	0
Unrestricted (Deficit)	(169,222)	37,259	(131,963)	243,770
<i>Total Net Assets</i>	(\$83,832)	\$64,129	(19,703)	\$243,770
Net assets reported for business-type activities in the statement of net assets are different because their share of internal service fund assets and liabilities is included.			33,100	
Net assets of business-type activities			\$13,397	

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2008*

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Adult and Community Education</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	
<b>Operating Revenues</b>				
Charges for Services	\$0	\$186,979	\$186,979	\$480,666
Tuition and Fees	1,544,295	0	1,544,295	0
Sales	277	173,709	173,986	0
Miscellaneous	98,050	56,514	154,564	0
<i>Total Operating Revenues</i>	<u>1,642,622</u>	<u>417,202</u>	<u>2,059,824</u>	<u>480,666</u>
<b>Operating Expenses</b>				
Salaries	1,405,302	61,047	1,466,349	0
Fringe Benefits	386,562	25,921	412,483	0
Purchased Services	232,111	11,163	243,274	2,475
Materials and Supplies	228,715	374,671	603,386	0
Depreciation	14,690	2,800	17,490	0
Claims Expense	0	0	0	453,093
Other	1,215	3,610	4,825	0
<i>Total Operating Expenses</i>	<u>2,268,595</u>	<u>479,212</u>	<u>2,747,807</u>	<u>455,568</u>
<i>Operating Income (Loss)</i>	(625,973)	(62,010)	(687,983)	25,098
<b>Non-Operating Revenues</b>				
Federal and State Subsidies	370,612	33,103	403,715	0
<i>Income (Loss) Before Transfers</i>	(255,361)	(28,907)	(284,268)	25,098
Transfers In	0	40,118	40,118	0
<i>Change in Net Assets</i>	(255,361)	11,211	(244,150)	25,098
<i>Net Assets at Beginning of Year</i>	<u>171,529</u>	<u>52,918</u>		<u>218,672</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>(\$83,832)</u>	<u>\$64,129</u>		<u>\$243,770</u>
Some amounts reported for business-type activities in the statement of activities are different because their share of the change in internal service fund assets and liabilities is included.			<u>3,408</u>	
Change in net assets of business-type activities			<u>(\$240,742)</u>	

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Adult and Community Education	Non-Major Enterprise Funds	Total	
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$1,544,572	\$360,688	\$1,905,260	\$480,666
Cash Received from Other Operating Revenues	98,050	56,514	154,564	0
Cash Payments to Suppliers for Goods and Services	(459,931)	(385,889)	(845,820)	(11,382)
Cash Payments to Employees for Services	(1,454,719)	(56,524)	(1,511,243)	0
Cash Payments for Employee Benefits	(384,104)	(28,395)	(412,499)	0
Cash Payments for Claims	0	0	0	(496,301)
Cash Payments for Other Operating Expenses	(1,215)	(3,610)	(4,825)	0
<i>Net Cash Used for Operating Activities</i>	<u>(657,347)</u>	<u>(57,216)</u>	<u>(714,563)</u>	<u>(27,017)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants	370,612	26,167	396,779	0
Transfers In	0	40,118	40,118	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>370,612</u>	<u>66,285</u>	<u>436,897</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	(14,502)	0	(14,502)	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(301,237)	9,069	(292,168)	(27,017)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>429,756</u>	<u>90,532</u>	<u>520,288</u>	<u>324,148</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$128,519</u>	<u>\$99,601</u>	<u>\$228,120</u>	<u>\$297,131</u>

(continued)

**Polaris Career Center**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Adult and Community Education	All Other Non-Major Enterprise Funds	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</b>				
<i>Operating Income (Loss)</i>	(\$625,973)	(\$62,010)	(\$687,983)	\$25,098
<i>Adjustments:</i>				
Depreciation	14,690	2,800	17,490	0
Donated Commodities Received During the Year	0	6,936	6,936	0
<i>(Increase)/Decrease in Assets:</i>				
Accounts Receivable	0	0	0	2,160
Materials and Supplies Inventory	0	(6,170)	(6,170)	0
Inventory Held for Resale	0	493	493	0
<i>Increase/(Decrease) in Liabilities:</i>				
Accounts Payable	895	(1,314)	(419)	(11,067)
Accrued Wages and Benefits Payable	(64,936)	4,058	(60,878)	0
Compensated Absences Payable	15,519	465	15,984	0
Intergovernmental Payable	2,458	(2,474)	(16)	0
Claims Payable	0	0	0	(43,208)
<i>Total Adjustments</i>	(31,374)	4,794	(26,580)	(52,115)
<i>Net Cash Used for Operating Activities</i>	(\$657,347)	(\$57,216)	(\$714,563)	(\$27,017)

**Noncash Activities**

The Food Service Fund received \$6,936 in donated commodities.

See accompanying notes to the basic financial statements



**Polaris Career Center**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2008*

	Private Purpose Trust	
	Special Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,544	\$76,476
<b>Liabilities</b>		
Due to Others	0	\$25,498
Due to Students	0	50,978
<i>Total Liabilities</i>		\$76,476
<b>Net Assets</b>		
Held in Trust for Scholarships	\$10,544	

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2008*

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	<u>Special Trust</u>
<b>Additions</b>	
Unclaimed Funds	\$523
<b>Deductions</b>	
Scholarships Awarded	<u>339</u>
<i>Change in Net Assets</i>	184
<i>Net Assets Beginning of Year</i>	<u>10,360</u>
<i>Net Assets End of Year</i>	<u><u>\$10,544</u></u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 1 - Description of the Center and Reporting Entity**

The Polaris Career Center (the “Center”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The Center operates under a Board of Education consisting of seven members which is comprised of one board member from each of the elected boards of the participating school districts. Members serve a two year term except for one rotating member picked by the member school districts to serve a one year term. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City School District, Olmsted Falls City School District, and Strongsville City School District are the member districts. The Center employs 9 administrative and supervisory personnel, 67 certified employees and 63 non-certificated employees who provide services to 568 students and other community members.

***Reporting Entity***

The Center is considered to be a stand-alone government because it is a legally separate entity but does not have an elected board. The reporting entity is composed of the stand-alone government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For Polaris Career Center, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities of the Center.

Component units are legally separate organizations for which the Center is financially accountable. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Polaris Career Center.

The Center participates in a jointly governed organization and two public entity risk pools. The jointly governed organization is the Ohio Schools Council Association and the public entity risk pools are the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Suburban Health Consortium. 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 Center 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 Center 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 Center has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the Center’s accounting policies are described below.

***A. Basis of Presentation***

The Center’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.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the stand alone government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. These statements distinguish between those activities of the Center that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net assets presents the financial condition of the governmental and business-type activities of the Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center’s governmental activities and for the four business-type activities of the Center. 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 Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Center.

**Fund Financial Statements** During the year, the Center segregates transactions related to certain Center 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 Center 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Center are grouped into the categories governmental, proprietary and fiduciary.

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

**General Fund** - The general fund 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 Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Center account for grants and other resources whose uses are restricted to a particular purpose.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The Center's enterprise funds are used to account for food service operations, uniform school supply operations, customer service operations, and adult and community education operations. The following is the Center's major business-type fund:

**Adult and Community Education Fund** – This fund is used to account for transactions made in connection with adult and community education classes.

**Internal Service Fund** The internal service fund accounts for the financing of service provided by one department or agency to other departments or agencies of the Center on a cost reimbursement basis. The Center's only internal service fund accounts for the operation of the Center's self-insurance program for employee vision, drug card, and dental benefits.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center's only trust fund is a private purpose trust which accounts for a program that provides college scholarship assistance to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency fund is for student managed activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Center are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, 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 reconciliations 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 fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary funds.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the 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 Non-exchange 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements, and donations is recognized in the fiscal 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 fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a 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 fiscal year end: property taxes available as an advance, grants, interest, tuition and student fees.

***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 June 30, 2008, but which were levied to finance fiscal year 2009 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.

***Expenditures/Expenses*** 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.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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***E. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. Any budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

***F. Cash and Investments***

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2008, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Farm Credit Bank Notes, a Repurchase Agreement, and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as the repurchase agreement are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's 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 Rule2a7 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 June 30, 2008.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$535,153 which includes \$49,351 assigned from other Center funds.

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

***I. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The Career Center was able to estimate the historical cost for the initial reporting of assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of one thousand dollars. The Center does not possess any infrastructure. 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 capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Building Improvements	15-30 years
Furniture and Equipment	5-25 years
Vehicles	5-15 years

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." 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.



**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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***K. 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 Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for employees after ten years of current service with the Center.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence or employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

***L. 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 the enterprise 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, special termination benefits 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 fiscal year.

***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 borrowings 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 \$1,207,215 of restricted net assets, of which none is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for public school preschool.

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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***N. Fund Balance Reserves***

The Center reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Center, these revenues are sales for food service, uniform school supplies, customer services and adult education and charges for service for self-insurance programs. Operating expenses are necessary costs incurred 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.

***P. Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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**Note 3 – Change in Accounting Principles**

For fiscal year 2008, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$4,587 and \$7,823, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**Note 4 – Accountability**

At June 30, 2008, the Title V special revenue fund had a fund deficit of \$755. The deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the Center is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**Polaris Career Center**  
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4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$299,013)
Net Adjustment for Revenue Accruals	282,540
Advances In	27,542
Beginning Fair Value Adjustment for Investments	18,622
Ending Fair Value Adjustment for Investments	(11,039)
Net Adjustment for Expenditure Accruals	380,077
Advances Out	(755)
Encumbrances	<u>(582,016)</u>
Budget Basis	<u><u>(\$184,042)</u></u>

**Note 6 – Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center 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 the Board 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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
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 for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,853,482 of the Center's bank balance of \$7,153,482 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

The Center 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 Center 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.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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Investments

Investments are reported at fair value. As of June 30, 2008, the Center had the following investments:

Investment Type	Carrying and Fair Value	Investment Maturities (in Years)	
		Less than 1	1-2
Federal Home Loan Mortgage Corporation Notes	\$998,968	\$0	\$998,968
Federal National Mortgage Association Notes	1,000,000	0	1,000,000
Federal Farm Credit Bank Notes	1,498,800	0	1,498,800
Repurchase Agreement			
Federal Home Loan Mortgage Corporation Notes	300,000	300,000	0
STAROhio	515,711	515,711	0
Total Investments	<u>\$4,313,479</u>	<u>\$815,711</u>	<u>\$3,497,768</u>

*Interest Rate Risk* State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held 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 two percent and be marked to market daily. The Center's investment policy also states that the Center will not invest in any eligible security maturing more than two years from the date of settlement if it bears interest at a variable rate.

*Custodial Credit Risk* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Center's name. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Credit Risk* The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and Federal Farm Credit Bank Notes carry a rating of AAA by Fitch. The securities underlying the repurchase agreement had a credit risk of AAA by Fitch. STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that addresses credit risk.

*Concentration of Credit Risk* The Center places no limit on the amount it may invest in any one issuer. The following is the Center's allocation as of June 30, 2008:

Investment Issuer	Percentage of Investments
Federal Home Loan Mortgage Corporation Notes	23.16 %
Federal National Mortgage Association Notes	23.18
Federal Farm Credit Bank Notes	34.75
Repurchase Agreement	
Federal Home Loan Mortgage Corporation Notes	6.95
STAROhio	11.96
Total	<u>100.00 %</u>

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
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**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the Center's fiscal year runs from July through June. First half tax collections are received by the Center in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center's taxing districts. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county 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. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30. This year, the June 2008 tangible personal property tax settlement from Cuyahoga County was not received until July 2008.

The Center receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30, and the late personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance in the general fund was \$1,388,997 at June 30, 2008 and \$1,219,632 at June 30, 2007. The late personal property settlement amount that was received after June 30, 2008 was \$17,498.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential and other Real Estate	\$4,987,799,410	93.96%	\$5,023,063,350	96.09%
Public Utility Personal	109,796,550	2.07	84,679,330	1.62
Tangible Personal Property	210,955,098	3.97	119,593,725	2.29
	<u>\$5,308,551,058</u>	<u>100.00%</u>	<u>\$5,227,336,405</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$2.40		\$2.40	

**Note 8 – Receivables**

Receivables at June 30, 2008, consisted of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Note 9 - Risk Management**

**A. Property and Liability**

The Center 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. During fiscal year 2008, the Center contracted with Marsh Insurance Company for the following insurance:

Type	Coverage
General Liability:	
Bodily Injury (Aggregate Limit)	\$1,000,000
General Annual Aggregate	4,000,000
Sexual Misconduct & Molestation Liability	1,000,000
Medical Expense Limit	5,000
Property	
Blanket Building and Contents	44,395,269
Automobile Liability:	
Hired and Non-owned Liability	2,000,000
Medical Payments	5,000
Uninsured/Underinsured Motorist	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.



**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**B. Bonding**

The Board President and the Superintendent are covered with surety bonds for \$20,000. The Treasurer and Director of Business Services are also covered by a surety bond in the amount of \$20,000. These bonds are with Hylant Group.

**C. Workers' Compensation**

For fiscal year 2008, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**D. Self-Insurance**

The Center offers vision, drug card and dental benefits to all eligible employees and their dependents through a self-insurance internal service fund. The Center is self-insured with Klais & Company serving as third-party administrator. The claims liability of \$53,361 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires 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 adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claim liability amount in fiscal years 2007 and 2008 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2007	\$75,794	\$508,367	\$487,592	\$96,569
2008	96,569	453,093	496,301	53,361

**E. Employee Health Benefits**

The Center participates in the Suburban Health Consortium, a shared risk pool (Note 17) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Center's Board of Education pays the entire cost of a monthly premium for all full-time employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all participants' claims would be paid without regard to the participants account balance or the Directors have the right to hold monies for an existing participant until the settlement of all expenses and claims.

Life insurance benefits of \$50,000 including accidental death and dismemberment are provided to full time employees on a fully-funded basis.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$261,490	\$0	\$0	\$261,490
Construction in progress	0	147,590	0	147,590
Total capital assets not being depreciated	261,490	147,590	0	409,080
Capital assets being depreciated				
Buildings and Improvements	12,124,052	0	0	12,124,052
Furniture and Equipment	4,889,483	266,124	0	5,155,607
Vehicles	274,954	0	0	274,954
Total capital assets being depreciated	17,288,489	266,124	0	17,554,613
Accumulated depreciation				
Buildings	(8,071,868)	(227,525)	0	(8,299,393)
Furniture and Equipment	(3,294,430)	(270,398)	0	(3,564,828)
Vehicles	(259,490)	(6,062)	0	(265,552)
Total accumulated depreciation	(11,625,788)	(503,985) *	0	(12,129,773)
Capital assets being depreciated, net	5,662,701	(237,861)	0	5,424,840
Governmental activities capital assets, net	\$5,924,191	(\$90,271)	\$0	\$5,833,920
	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
<b>Business-type activities:</b>				
Equipment	\$501,532	\$14,502	\$0	\$516,034
Accumulated depreciation Equipment	(386,284)	(17,490) **	0	(403,774)
Business-type activities capital assets, net	\$115,248	(\$2,988)	\$0	\$112,260

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$441,574
Support Services:	
Pupil	568
Instructional Staff	11,351
Administration	1,465
Fiscal	1,952
Business	299
Operation and Maintenance of Plant	10,813
Central	35,963
Total Depreciation Expense	\$503,985

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

Food Service	\$2,800
Adult and Community Education	14,690
Total Depreciation Expense	\$17,490

**Note 11 - Defined Benefit Pension Plans**

***A. School Employee Retirement System***

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The Center's current rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$266,896, \$292,041 and \$288,423 respectively; 96.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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***B. State Teachers Retirement System***

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$916,622, \$828,139, and \$823,294 respectively; 88.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$12,455 made by the School District and \$26,406 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 12 – Postemployment Benefits**

***A. School Employee Retirement System***

Plan Description – The Center participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$28,339.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Center's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$150,132, \$145,609, and \$135,854 respectively; 96.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$19,231, \$19,859, and \$20,831 respectively; 96.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

***B. State Teachers Retirement System***

Plan Description – The Center contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$70,509, \$63,703, and \$63,330 respectively; 88.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 13 - Employee Benefits**

***A. Vacation Leave***

The Superintendent and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. Administrators earn twenty days of vacation per year and qualify for twenty-five if they start their sixth year at the Center. Center support personnel accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 1 Year	10 Days Per Year
9 or more Years	15 Days Per Year
15 or more Years	20 Days Per Year

Accumulated, unused vacation time is paid to employees upon termination of employment. Teachers do not earn vacation time.

***B. Sick Leave***

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 343 days for classified employees and 343 days for certified employees.

***C. Retirement Severance Pay***

Certified Employees

1. *Five or More Years of Service* A teacher who has five or more years of service with the Center may elect at the time of retirement from active service to be paid for thirty percent of the value of the teacher's accrued but unused sick leave credit to a maximum of ninety-eight days.

The word "retirement" shall be limited exclusively to mean full permanent retirement with regard to age and years of service under the State Teachers Retirement System law. The rate paid will be the per diem rate of the teacher's basic contract in effect at the time of retirement. Supplemental contracts, extended service or other compensation will not be included in the calculation. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the teacher. Such payment shall be made only once to any teacher.

2. *Ten or More Years of Service* A teacher who has ten or more years of service with the Center, who resigns or who is severed from employment for any reason, may elect to receive a lump sum cash payment for thirty percent of the value of the teacher's accrued but unused sick leave credit to a maximum of forty days. Such payment shall be calculated by multiplying the employee's daily rate of pay at the time of such severance of employment by the total number of days to which they are entitled. The rate paid will be the highest per diem rate.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

Classified Employees

Any employee who has five or more years of service with the Board of Education may elect at the time of retirement from active service to be paid for thirty percent of the value of the employee's accrued but unused sick leave credit to a maximum of ninety-eight days. Severance pay is a per diem based upon the employee's hourly rate over the last three years of employment, times the hours worked per day. The word "retirement" as used shall be limited exclusively to mean full permanent service retirement with regard to age and years of service under the School Employees Retirement System. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the employee.

**Note 14 - Long-term Obligations**

The changes in the Center's long-term obligations during fiscal year 2008 were as follows:

	<u>Outstanding 06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/08</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	<u>\$1,300,457</u>	<u>\$826,521</u>	<u>\$732,466</u>	<u>\$1,394,512</u>	<u>\$830,624</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$223,617</u>	<u>\$213,885</u>	<u>\$197,901</u>	<u>\$239,601</u>	<u>\$162,962</u>

Compensated absences will be paid from the general fund and food service and adult and community education enterprise funds.

The Center's overall legal debt margin was \$459,696,841 with an unvoted debt margin of \$5,107,743 at June 30, 2008.

**Note 15 - Contingencies**

**A. Grants**

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or 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 Center at June 30, 2008.

**B. Litigation**

There are currently no matters in litigation with the Center as the defendant.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 16 - Jointly Governed Organization**

***Ohio Schools Council Association*** - The Ohio Schools Council Association (Council), is a jointly governed organization among 121 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the Center paid \$800 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Center participates in the Council's natural gas purchase program. This program allows the Center to purchase natural gas at reduced rates if the Center will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The Center also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

**Note 17 – Public Entity Risk Pools**

***A. Ohio School Boards Association Workers' Compensation Group Rating Program***

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

***B. Suburban Health Consortium***

The Suburban Health Consortium is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The Assembly exercises control over the participating school districts/centers, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.



**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**Note 18 - Set-Asides**

The Center is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the Center was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbook Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2007	\$241,244	\$0	(\$2,609,131)
Current Year Set-aside Requirement	0	82,745	82,745
Qualifying Disbursements	0	(97,099)	(375,666)
Totals	<u>\$241,244</u>	<u>(\$14,354)</u>	<u>(\$2,902,052)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$241,244</u>	<u>\$0</u>	<u>(\$2,902,052)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$241,244</u>	<u>\$0</u>	<u>\$0</u>

The Center had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. While the qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$241,244.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 19 - Interfund Transactions**

***A. Interfund Transfers***

Transfers made during the year ended June 30, 2008 were as follows:

<u>Transfers To</u>	<u>Transfers From General</u>
<i>Special Revenue Fund:</i>	
Miscellaneous Federal Grants	\$22,028
<i>Enterprise Funds:</i>	
Food Service	33,351
Uniform School Supplies	<u>6,767</u>
Total	<u><u>\$62,146</u></u>

The transfers from the General Fund to the Miscellaneous Federal Grants Fund, Food Service Fund, and Uniform School Supplies Fund were made to move unrestricted balances to support programs and projects accounted for in other funds.

***B. Interfund Balances***

During the year ended June 30, 2008, the general fund advanced \$755 to the Title V special revenue fund.

Interfund receivables and payables are due to the timing of the receipt of grant monies and fees received by the various funds. The general fund advanced monies to those funds to cover costs.

**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Food Distribution	10.550	\$0	\$6,936	\$0	\$6,936
Nutrition Cluster:					
National School Breakfast Program	10.553	5,072	0	5,072	0
National School Lunch Program	10.555	<u>20,472</u>	<u>0</u>	<u>20,472</u>	<u>0</u>
Total Nutrition Cluster		25,544		25,544	
Total U.S. Department Agriculture - Nutrition Cluster		<u>25,544</u>	<u>6,936</u>	<u>25,544</u>	<u>6,936</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Adult Basic Literacy Education	84.002	35,488	0	35,488	0
Adult Basic Literacy Education	84.002	<u>71,266</u>	<u>0</u>	<u>73,153</u>	<u>0</u>
Subtotal Adult Basic Literacy Education		<u>106,754</u>	<u>0</u>	<u>108,641</u>	<u>0</u>
Carl D. Perkins	84.048	170,628	0	169,213	0
Carl D. Perkins	84.048	<u>226,886</u>	<u>0</u>	<u>226,793</u>	<u>0</u>
Subtotal Carl D. Perkins		<u>397,514</u>	<u>0</u>	<u>396,006</u>	<u>0</u>
Safe and Drug-Free Schools	84.186	1,658	0	1,658	0
Innovative Programs, Title V	84.298	1,235	0	1,991	0
Improving Teacher Quality, Title II-A	84.367	3,960	0	3,960	0
Total Passed Through the Ohio Department of Education		<u>511,121</u>		<u>512,256</u>	
<b>Total Federal Assistance</b>		<u><b>\$536,665</b></u>	<u><b>\$6,936</b></u>	<u><b>\$537,800</b></u>	<u><b>\$6,936</b></u>

*The accompanying notes are an integral part of this schedule.*

**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the Center to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

CFDA – Catalog of Federal Domestic Assistance



# Mary Taylor, CPA

Auditor of State

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

Polaris Career Center  
Cuyahoga County  
7285 Old Oak Boulevard  
Middleburg Heights, Ohio 44130

To the Board of Education

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 Polaris Career Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 13, 2009. 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 Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Center's management in a separate letter dated March 13, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Center'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 that we must report under *Government Auditing Standards*.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated March 13, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 13, 2009



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Polaris Career Center  
Cuyahoga County  
7285 Old Oak Boulevard  
Middleburg Heights, Ohio 44130

To the Board of Education:

### Compliance

We have audited the compliance of the Polaris Career Center, Cuyahoga County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Polaris Career Center, Cuyahoga County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect its major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that the Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program's compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 13, 2009



**POLARIS CAREER CENTER  
 CUYAHOGA COUNTY  
 SCHEDULE OF FINDINGS  
 OMB CIRCULAR A - §133 - §505  
 FOR THE YEAR ENDED JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program(list):	Carl D. Perkins (84.048)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





Mary Taylor, CPA  
Auditor of State

**POLARIS CAREER CENTER**

**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  
JUNE 23, 2009**