



**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
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INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Polaris Joint Vocational School District
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

We have audited the accompanying general-purpose financial statements of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Polaris Joint Vocational School District, Cuyahoga County, Ohio as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 9, 2001

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**Polaris Joint Vocational School District
Cuyahoga County**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types						Proprietary		Fiduciary		Account Groups		Totals 2000 (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed	General Long Term	General			
										General	Long Term		
Assets and Other Debits:													
Equity in Pooled Cash and Investments	\$ 4,642,753	199,558	1,375	398,026	158,106	641,771	154,483	0	0	0	\$ 6,196,072		
Restricted Cash and Investments	241,543	0	0	0	0	0	0	0	0	0	241,543		
Taxes Receivable	7,945,796	0	0	0	0	0	0	0	0	0	7,945,796		
Interfund Receivables	135,953	0	0	0	0	0	0	0	0	0	135,953		
Due from Other Funds	0	0	0	0	0	0	3,020	0	0	0	3,020		
Intergovernmental Receivables	0	22,086	0	0	4,764	0	0	0	0	0	26,850		
Accounts Receivable	51,662	446	0	0	327,445	135	239	0	0	0	379,927		
Supply Inventory	31,882	0	0	0	712	0	0	0	0	0	32,594		
Inventory for Resale	0	0	0	0	6,576	0	0	0	0	0	6,576		
Property, Plant & Equipment	0	0	0	0	632,432	0	0	17,469,058	0	0	18,101,490		
Accumulated Depreciation, Where	0	0	0	0	(361,318)	0	0	0	0	0	(361,318)		
Amount to be Provided for Retirement of	0	0	0	0	0	0	0	0	0	0	848,161		
Total Assets and Other Debits	\$ 13,049,589	222,090	1,375	398,026	768,717	641,906	157,742	17,469,058	848,161	\$ 33,556,664			

Polaris Joint Vocational School District
Cuyahoga County
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2000

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals 2000 (Memorandum) (Only)
	General	Special Revenue	Debt Service		Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General	Long Term Debt	General	
			Capital Project	Capital Project								
Liabilities:												
Interfund Payables	\$ 0	93,672	0	0	42,281	0	0	0	0	0	0	\$ 135,953
Due to Other Funds	2,908	9	0	0	103	0	0	0	0	0	0	3,020
Intergovernmental Payables	80,616	280	0	0	2,816	0	58,016	0	0	0	7,875	149,603
Accounts Payable	93,871	7,614	0	0	14,329	410	0	0	0	0	0	116,224
Matured Bonds Payable	0	0	1,375	0	0	0	0	0	0	0	0	1,375
Accrued Salaries and Benefits	605,039	2,256	0	0	28,938	0	0	0	0	0	0	636,233
Deferred Revenue	7,500,740	0	0	0	841	0	0	0	0	0	0	7,501,581
Lease Obligations Payable	0	0	0	0	0	0	0	0	0	0	189,956	189,956
Due to Others	0	0	0	0	0	0	98,554	0	0	0	0	98,554
Compensated Absences Payable	45,605	0	0	0	126,765	0	0	0	0	0	650,330	822,700
Total Liabilities	8,328,779	103,831	1,375	0	216,073	410	156,570	0	0	0	848,161	9,655,199
Fund Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	17,469,058	0	0	17,469,058
Retained Earnings	0	0	0	0	552,644	641,496	0	0	0	0	0	1,194,140
Fund Balances:												
Reserved for Budget Stabilization	241,543	0	0	0	0	0	0	0	0	0	0	241,543
Reserved for Supply Inventory	31,882	0	0	0	0	0	0	0	0	0	0	31,882
Reserved for Encumbrances	287,981	77,648	0	0	0	0	0	0	0	0	0	365,629
Reserved for Property Tax	445,055	0	0	0	0	0	0	0	0	0	0	445,055
Unreserved Fund Balance	3,714,349	40,611	0	0	398,026	0	1,172	0	0	0	0	4,154,158
Total Fund Balances	4,720,810	118,259	0	0	398,026	0	1,172	0	0	0	0	5,238,267
Total Fund Balances/Retained Earnings and Other Credits	4,720,810	118,259	0	0	552,644	641,496	1,172	0	17,469,058	0	0	23,901,465
Total Liabilities, Fund Equity, and Other Credits	\$ 13,049,589	222,090	1,375	0	768,717	641,906	157,742	0	17,469,058	848,161	\$ 33,556,664	

See Accompanying Notes to the General Purpose Financial Statements

**Polaris Joint Vocational School District
Cuyahoga County
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2000**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Project	Expendable Trust Funds	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 7,189,636	0	0	0	\$ 7,189,636
Tuition	1,623	0	0	0	1,623
Earnings on Investments	384,256	0	0	0	384,256
Extracurricular Activities	100	0	0	0	100
Classroom Materials & Fees	26,235	0	0	0	26,235
Miscellaneous	191,261	965	0	0	192,226
Revenue from State Sources					
Unrestricted Grants-in-Aid	3,138,481	65,280	0	0	3,203,761
Restricted Grants-in-Aid	0	237,842	0	0	237,842
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	2,161,992	0	0	2,161,992
Total Revenues	<u>10,931,592</u>	<u>2,466,079</u>	<u>0</u>	<u>0</u>	<u>13,397,671</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	16,789	58,777	0	0	75,566
Vocational	3,872,881	140,606	0	0	4,013,487
Adult/Continuing	0	6,535	0	0	6,535
Supporting Services: 288233					
Pupils	1,236,175	276,194	0	0	1,512,369
Instructional Staff	1,032,414	82,409	0	0	1,114,823
Board of Education	64,357	0	0	0	64,357
Administration	661,304	124,198	0	0	785,502
Fiscal Services	427,551	0	0	0	427,551
Business	199,497	0	0	0	199,497
Operation & Maintenance-Plant	1,521,545	0	0	0	1,521,545
Pupil Transportation	31,864	0	0	0	31,864
Central	457,133	234,239	0	0	691,372
Operation of Non-Instructional Services					
Community Services	0	137	0	0	137
Extracurricular Activities:					
Occupation Oriented Activities	5,641	8,098	0	0	13,739
Co-Curricular Activities	7,753	0	0	0	7,753
Capital Outlay:					
Site Improvement	19,234	0	0	0	19,234
Architecture & Engineering	29,103	0	0	0	29,103
Building Improvement	188,817	0	0	0	188,817
Other Facility Acquisition & Construction	5,754	0	0	0	5,754
Total Expenditures	<u>9,777,812</u>	<u>931,193</u>	<u>0</u>	<u>0</u>	<u>10,709,005</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	1,153,780	1,534,886	0	0	2,688,666
Other Financing Sources (Uses):					
Other Financing Sources					
Sale & Loss of Assets	16,728	0	0	0	16,728
Transfers-In	0	16,226	0	0	16,226
Refund of Prior Year Expenditures	17,136	0	0	0	17,136
Other Financing Uses					
Transfers-Out	(171,643)	0	0	0	(171,643)
Pass Through Payments	0	(1,506,870)	0	0	(1,506,870)
Net Other Financing Sources and (Uses)	<u>(137,779)</u>	<u>(1,490,644)</u>	<u>0</u>	<u>0</u>	<u>(1,628,423)</u>
Excess (Deficiency) of Revenues and Other Sources					
Over (Under) Expenditures and Other (Uses)	1,016,001	44,242	0	0	1,060,243
Increase Supply Inventory	(675)	0	0	0	(675)
Beginning Fund Balance	3,705,484	74,017	398,026	1,172	4,178,699
Ending Fund Balance	<u>\$ 4,720,810</u>	<u>118,259</u>	<u>398,026</u>	<u>1,172</u>	<u>\$ 5,238,267</u>

See Accompanying Notes to the General Purpose Financial Statements

**Polaris Joint Vocational School District
Cuyahoga County
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 7,600,000	7,564,668	(35,332)	0	0	\$ 0
Tuition	99,460	93,361	(6,099)	0	0	0
Earnings on Investment	51,030	389,758	338,728	0	0	0
Extracurricular Activities	0	100	100	8,400	0	(8,400)
Classroom Materials & Fees	540	26,175	25,635	0	0	0
Miscellaneous	0	191,271	191,271	0	518	518
State Unrestricted Grants-in-Aid	3,103,746	3,138,481	34,735	0	65,280	65,280
State Restricted Grants-in-Aid	0	0	0	50,000	237,842	187,842
Federal Restricted Grants-in-Aid	0	0	0	2,348,000	2,222,638	(125,362)
Total Revenues	10,854,776	11,403,814	549,038	2,406,400	2,526,278	119,878
Expenditures:						
Regular Instruction	122,072	118,061	4,011	61,725	58,242	3,483
Vocational Instruction	4,257,128	4,069,164	187,964	147,852	147,852	0
Adult/Continuing Instruction	0	0	0	10,035	10,035	0
Support Services-Pupils	1,325,061	1,262,627	62,434	286,577	282,052	4,525
Support Services-Instructional Staff	1,063,834	1,045,160	18,674	92,589	91,732	857
Support Services-Board of Education	115,583	103,429	12,154	0	0	0
Support Services-Administration	804,228	710,685	93,543	143,322	141,300	2,022
Fiscal Services	441,489	424,892	16,597	0	0	0
Support Services-Business	231,342	199,444	31,898	0	0	0
Operation & Maintenance-Plant	1,707,568	1,579,344	128,224	0	0	0
Support Services-Transportation	47,560	33,184	14,376	0	0	0
Support Services-Central	559,535	486,445	73,090	290,269	290,269	0
Community Services	0	0	0	2,211	2,211	0
Occupation Oriented Activities	9,000	5,641	3,359	8,395	8,395	0
Co-Curricular Activities	13,200	7,763	5,437	0	0	0
Site Improvement	41,734	19,234	22,500	0	0	0
Architecture & Engineering	40,000	39,973	27	0	0	0
Building Improvement	248,847	248,847	0	0	0	0
Other Acquisition & Construction	5,754	5,744	10	0	0	0
Total Expenditures	11,033,935	10,359,637	674,298	1,042,975	1,032,088	10,887
Excess of Revenues Over (Under) Expenditures	(179,159)	1,044,177	1,223,336	1,363,425	1,494,190	130,765
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	16,404	16,404	0	0	0
Transfer-In	0	0	0	8,400	16,226	7,826
Advances-In	0	141,977	141,977	0	93,673	93,673
Refund of Prior Years Expenditures	0	1,552	1,552	0	0	0
Transfer-Out	(171,643)	(171,643)	0	0	0	0
Advances-Out	(97,647)	(93,673)	3,974	0	(121,286)	(121,286)
Pass Through Payment	0	0	0	(1,506,870)	(1,506,870)	0
Refund of Taxes Collected	0	0	0	0	0	0
Other Misc. Uses of Funds	(6,209)	0	6,209	0	0	0
Total Other Financing Sources (Uses)	(275,499)	(105,383)	170,116	(1,498,470)	(1,518,257)	(19,787)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(454,658)	938,794	1,393,452	(135,045)	(24,067)	110,978
Beginning Fund (Deficit) Balance	3,284,360	3,284,360	--	76,562	76,562	--
Prior Year Carry Over Encumbrances	290,850	290,850	--	62,044	62,044	--
Ending Fund (Deficit) Balance	\$ 3,120,552	4,514,004	1,393,452	3,561	114,539	\$ 110,978

(Continued)

**Polaris Joint Vocational School District
Cuyahoga County
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000**

	Debt Service Fund			Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenues	0	0	0	0	0	0
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvements	0	0	0	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Other Acquisition & Construction	0	0	0	0	0	0
Total Expenditures	0	0	0	0	0	0
Excess of Revenues Over (Under) Expenditures	0	0	0	0	0	0
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfer-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Pass Through Payments	0	0	0	0	0	0
Other Misc Uses of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	0	0	0
Beginning Fund (Deficit) Balance	1,375	1,375	--	398,026	387,026	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund (Deficit) Balance	\$ 1,375	1,375	0	398,026	387,026	\$ 0

(Continued)

**Polaris Joint Vocational School District
Cuyahoga County
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000**

	Expendable Trust Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	7,600,000	7,564,668	\$ (35,332)
Tuition	0	0	0	99,460	93,361	(6,099)
Earnings on Investment	0	0	0	51,030	389,758	338,728
Classroom Materials & Fees	0	0	0	8,400	100	(8,300)
Miscellaneous	0	0	0	540	26,175	25,635
Miscellaneous	0	0	0	0	191,789	191,789
State Unrestricted Grants-in-Aid	0	0	0	3,103,746	3,203,761	100,015
State Restricted Grants-in-Aid	0	0	0	50,000	237,842	187,842
Federal Restricted Grants-in-Aid	0	0	0	2,348,000	2,222,638	(125,362)
Total Revenues	0	0	0	13,261,176	13,930,092	668,916
Expenditures:						
Regular Instruction	0	0	0	183,797	176,303	7,494
Vocational Instruction	0	0	0	4,404,980	4,217,016	187,964
Adult/Continuing Instruction	0	0	0	10,035	10,035	0
Support Services-Pupils	0	0	0	1,611,638	1,544,679	66,959
Support Services-Instructional Staff	0	0	0	1,156,423	1,136,892	19,531
Support Services-Board of Education	0	0	0	115,583	103,429	12,154
Support Services-Administration	0	0	0	947,550	851,985	95,565
Fiscal Services	0	0	0	441,489	424,892	16,597
Support Services-Business	0	0	0	231,342	199,444	31,898
Operation & Maintenance-Plant	0	0	0	1,707,568	1,579,344	128,224
Support Services-Transportation	0	0	0	47,560	33,184	14,376
Support Services-Central	0	0	0	849,804	776,714	73,090
Community Services	0	0	0	2,211	2,211	0
Occupation Oriented Activities	0	0	0	17,395	14,036	3,359
Co-Curricular Activities	0	0	0	13,200	7,763	5,437
Site Improvements	0	0	0	41,734	19,234	22,500
Architecture & Engineering	0	0	0	40,000	39,973	27
Building Improvements	0	0	0	248,847	248,847	0
Other Acquisition & Construction	0	0	0	5,754	5,744	10
Total Expenditures	0	0	0	12,076,910	11,391,725	685,185
Excess of Revenues Over (Under) Expenditures	0	0	0	1,184,266	2,538,367	1,354,101
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	16,404	16,404
Transfer-In	0	0	0	8,400	16,226	7,826
Advances-In	0	0	0	0	235,650	235,650
Refund of Prior Year Expenditures	0	0	0	0	1,552	1,552
Transfer-Out	0	0	0	(171,643)	(171,643)	0
Advances-Out	0	0	0	(97,647)	(214,959)	(117,312)
Pass Through Payment	0	0	0	(1,506,870)	(1,506,870)	0
Other Misc. Uses of Funds	0	0	0	(6,209)	0	6,209
Total Other Sources (Uses)	0	0	0	(1,773,969)	(1,623,640)	150,329
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(589,703)	914,727	1,504,430
Beginning Fund (Deficit) Balance	1,172	1,172	--	3,761,495	3,761,495	--
Prior Year Carry Over Encumbrances	0	0	--	352,894	352,894	--
Ending Fund (Deficit) Balance	\$ 1,172	1,172	0	3,524,686	5,029,116	\$ 1,504,430

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District

Cuyahoga County

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings

All Proprietary Fund Types

Year Ended June 30, 2000

	Enterprise Funds	Internal Service Funds	Totals (Memorandum) (Only)
Operating Revenues:			
Tuition	\$ 1,793,714	0	\$ 1,793,714
Transportation Fees	1,366	0	1,366
Food Services	187,416	0	187,416
Classroom Materials & Fees	151,378	0	151,378
Miscellaneous	97,980	451,259	549,239
Total Operating Revenue	<u>2,231,854</u>	<u>451,259</u>	<u>2,683,113</u>
Operating Expenses:			
Personal Services - Salary	1,607,219	0	1,607,219
Employee Benefits	442,807	0	442,807
Purchased Services	270,344	75,986	346,330
Supplies and Materials	525,231	0	525,231
Other Expenses	3,235	398,040	401,275
Depreciation	26,125	0	26,125
Total Operating Expense	<u>2,874,961</u>	<u>474,026</u>	<u>3,348,987</u>
Operating Income (Loss)	<u>(643,107)</u>	<u>(22,767)</u>	<u>(665,874)</u>
Non-Operating Revenues:			
Earnings on Investments	44	0	44
Miscellaneous	450	0	450
State Unrestricted Grants-In-Aid	392,697	0	392,697
State Restricted Grants-In-Aid	41,014	0	41,014
Federal Restricted Grants-In-Aid	19,951	0	19,951
Total Non-Operating Revenue	<u>454,156</u>	<u>0</u>	<u>454,156</u>
Non-Operating Expenses:			
Loss on Disposal of Assets	167,252	0	167,252
Net Income Before Operating Transfers	<u>(356,203)</u>	<u>(22,767)</u>	<u>(378,970)</u>
Operating Transfers In	155,368	0	155,368
Total Operating Transfers	155,368	0	155,368
Net Income(Loss)	<u>(200,835)</u>	<u>(22,767)</u>	<u>(223,602)</u>
Beginning Retained Earnings	753,479	664,263	1,417,742
Retained Earnings at End of Year	<u>\$ 552,644</u>	<u>641,496</u>	<u>\$ 1,194,140</u>

See Accompanying Notes to the General Purpose Financial Statements

**Polaris Joint Vocational School District
Cuyahoga County
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 2000**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum) Only
Cash Flows from Operating Activities			
Operating (Loss) Income	\$ (643,107)	(22,767)	\$ (665,874)
Adjustment to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	26,125	0	26,125
Net (Increases) Decreases in Assets:			
Intergovernmental Receivables	37,446	956	38,402
Accounts Receivable	(313,890)	0	(313,890)
Inventory	(962)	0	(962)
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	(94)	0	(94)
Intergovernmental Payable	(2,429)	0	(2,429)
Accounts Payable	(38,344)	410	(37,934)
Accrued Salaries	(25,928)	0	(25,928)
Claims Payable	0	(90,708)	(90,708)
Deferred Revenue	(383)	0	(383)
Compensated Absences	47,358	0	47,358
Net Adjustments	<u>(271,101)</u>	<u>(89,342)</u>	<u>(360,443)</u>
Net Cash Provided by Operating Activities	(914,208)	(112,109)	(1,026,317)
Cash Flows from Noncapital Financing Activities:			
Earnings on Investments	44	0	44
Miscellaneous	450	0	450
Advances From Other Funds	(20,691)	0	(20,691)
Transfers from Other Funds	155,368	0	155,368
Operating Grants from State Sources	433,711	0	433,711
Operating Grants from Federal Sources	19,951	0	19,951
Net Cash Provided by Noncapital Financing Activities	<u>588,833</u>	<u>0</u>	<u>588,833</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(58,779)	0	(58,779)
Net Cash Used for Capital Financing Activities	<u>(58,779)</u>	<u>0</u>	<u>(58,779)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(384,154)	(112,109)	(496,263)
Cash and Cash Equivalents at Beginning of Year	<u>542,260</u>	<u>753,880</u>	<u>1,296,140</u>
Cash and Cash Equivalents at End of Year	<u>\$ 158,106</u>	<u>641,771</u>	<u>\$ 799,877</u>

See Accompanying Notes to General Purpose Financial Statements

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**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The District 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 District is a joint vocational school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an appointed Board of Education (7 members) which is comprised of one member from each associate school district plus one rotating member from each participating district as well. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City Schools, Olmsted Falls City Schools, and Strongsville City Schools are the member districts.

Average daily membership (ADM) as of October 1, 1999, was 584. The District employed 14 administrative and supervisory personnel, 50 certified employees and 67 non-certificated employees.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The District is associated with one jointly governed organization and one public entity risk pool, which are discussed in Notes 16 and 7, respectively.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable. The District has no component units.

B. Fund Accounting and Measurement Focus/Basis of Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, and accounts (student fees and rent).

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

June 30, 2000 which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - This 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 District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types

All proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. Proprietary Funds include the following fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District has an internal service fund at June 30, 2000, that is used to operate the District's self-funding of medical benefits.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District does not have any nonexpendable trust funds at June 30, 2000.

Agency Funds - These funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. Agency funds are also accounted for using the modified accrual basis of accounting.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The following are the District's account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Obligations Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the appropriation resolution are

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Amended Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Amended Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Amended Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for governmental funds and disclosed in the notes to the financial statements for proprietary funds.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account with individual fund balance integrity maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to US Treasury Bonds and Notes, Certificates of Deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for investment contracts, and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

For the District, all investment earnings accrue to the General Fund and Enterprise Fund as authorized by Board resolution. Interest income earned in fiscal year 2000 totaled \$384,300; \$384,256 for the General Fund and \$44 for the Enterprise Fund.

For the purpose of the combined Statement of Cash Flows, and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time that they were purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expensed when used.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

F. Prepaid Items

Prepayments are accounted for using the nonallocation method. Payments for the prepaid items are fully recognized as an expenditure in the year of payment.

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interest incurred during construction is not capitalized on the general fixed assets. The District does not possess any infrastructure.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets. The estimated useful life of the assets range from 8 to 20 years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available.

Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program
Management Information Systems

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

Non-Reimbursable Grants

Special Revenue Funds

- Pell Grant
- Vocational Education
- Job Opportunity and Basic Skills Training
- Eisenhower Math and Science
- Alliance + Technology Innovation Challenge Grant
- Ventures in Business Partnership
- Displaced Homemaker

Reimbursable Grants

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 42% of the District's operating revenue during the 2000 fiscal year.

I. Short-Term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2000, the District had \$3,020 in due from/to other funds, and \$135,953 in interfund receivables/payables.

J. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 2000.

K. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16.

Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation time when earned. The current portion of unpaid sick leave and other compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

In proprietary funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

L. Long-Term Obligations

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 1. Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures.

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, budget stabilization and property tax.

O. Restricted Cash and Investments

Restricted cash and investments in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

P. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Memorandum Only - Total Columns

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

Note 2. Budgetary Basis of Accounting

While the District is reporting 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 the basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, (Non-GAAP Basis) - All Governmental Fund Types 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 basis are that:

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 2. Budgetary Basis of Accounting (continued)

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types

	General Fund	Special Revenue
GAAP Basis	\$ 1,016,001	\$ 44,242
Increase (Decrease):		
Due to Revenues:		
Net Adjustments to Revenue Accruals	472,222	60,199
Due to Expenditures:		
Net Adjustments to Expenditures Accruals	(581,825)	(100,895)
Other Uses	32,396	(27,613)
Budget Basis	<u>\$ 938,794</u>	<u>\$ (24,067)</u>

Note 3. Cash and Investments

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the District has identified as not required for use within the current 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.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 3 . Cash and Investments (continued)

Interim deposits 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 pass book accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 3 . Cash and Investments (continued)

or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$2,710,636 and the bank balance was \$3,126,380. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining \$2,926,380 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Repurchase Agreements	\$ 1,435,000	\$ 1,435,000
US Treasury Notes	150,117	150,117
US Treasury Notes	499,375	499,375
US Treasury Notes	600,563	600,563
US Treasury Notes	498,672	498,672
STAR Ohio		541,900
Total Investments		<u>\$ 3,725,627</u>

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 3 . Cash and Investments (continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 6,437,615	
Investments:		
Federal Agency Securities	(1,748,727)	\$ 1,748,727
Repurchase Agreements	(1,435,000)	1,435,000
STAR Ohio	(541,900)	541,900
Cash on Hand (Petty Cash)	(1,352)	
GASB Statement No. 3	<u>\$ 2,710,636</u>	<u>\$ 3,725,627</u>

Note 4. Property Tax

Property taxes are levied and assessed on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in December 31. If paid semi-annually, the first payment is due in December 31, with the remainder payable by June 20. Under certain circumstances state statute permits alternative payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are payable annually or semi-annually with the first payment due April 30 and the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 4. Property Tax (continued)

The Cuyahoga and Lorain County Treasurers collect property tax on behalf of the District. The Cuyahoga and Lorain County Auditors remit the collected taxes to the District. Tax settlements are made each June and December for real property taxes and personal property taxes.

The full tax rate at the fiscal year ending June 30, 2000, for operations was \$2.40 per \$1,000 of assessed valuation.

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. At June 30, 2000, \$445,055 was available to the District as an advance.

The assessed values of real and tangible personal property in Cuyahoga County on which the 2000 taxes were collected were as follows:

Real Property	\$	3,519,424,320
Public Utility Personal Property		170,297,910
Tangible Personal Property		485,120,810
Total Assessed Value	\$	<u>4,174,843,040</u>

Lorain County assessed values were insignificant.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 5. Receivables

Receivables at June 30, 2000, consisted of taxes, accounts (student fees), and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:	
Perkins Grant	\$ 22,086
Enterprise Funds	
Adult Education - GED	<u>4,764</u>
Total Funds	<u><u>\$ 26,850</u></u>

Note 6. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2000:

Furniture and Equipment	\$ 632,432
Less Accumulated Depreciation	<u>(361,318)</u>
Net Fixed Assets	<u><u>\$ 271,114</u></u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 6. Fixed Assets (continued)

For the fiscal year ended June 30, 1999, the General Fixed Asset Account Group has been restated. Corrections and adjustments had a net effect of a change in the fixed assets of \$3,338, from \$17,739,627 to \$17,742,965.

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Land and Improvements	\$ 261,492	0	0	\$ 261,492
Buildings	11,813,604		0	11,813,604
Other Improvements	192,739		0	192,739
Furniture and Equipment	5,179,696	344,239	580,000	4,943,935
Vehicles	295,434	20,615	58,761	257,288
Total General Fixed Assets	<u>\$ 17,742,965</u>	<u>364,854</u>	<u>638,761</u>	<u>\$ 17,469,058</u>

There was no significant construction in progress at June 30, 2000.

Note 7. Risk Management

The District 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 2000, the District contracted with Nationwide Insurance Company for real property and building contents in a maximum amount of \$33,354,100 with a \$1,000 deductible clause. The District maintains coverage for its vehicles in a maximum amount of \$2,000,000 a \$100 deductible for comprehensive and \$250 deductible for collision. In addition, the District maintains liability coverage as follows: \$2,000,000 for buses, single limit: \$2,000,000 for premises; and \$5,000,000 professional liability in aggregate. The settled claims have never exceeded the commercial coverage. There has not been a significant reduction in coverage from the prior year.

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 Nationwide Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 7. Risk Management (continued)

premium rate is applied to all school districts 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The District provides medical/surgical, vision, drug card, and dental benefits for its eligible employees and their covered dependents through its Self Insurance Fund. The District contracts with a third party administrator (Klais & Co.) to process claims and to broker reinsurance for umbrella coverage. Currently, Fidelity Security is the policy holder for the \$40,000 stop loss coverage at the aggregate coverage of \$502/month/employee.

Effective December 1, 1999 the District changed to a fully funded premium plan for benefits through Medical Mutual.

The District cash and investments balance in the Self Insurance Fund is \$641,771 as of June 30, 2000.

A small percentage (under 10%) of the District's employees choose a Health Maintenance Organization (Kaiser Permanente) and are not part of the self-funding process. Additionally, life insurance benefits of \$50,000 including accidental death and dismemberment are provided to full time employees on a fully-funded basis.

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
1997	101,792	784,139	789,728	96,203
1998	96,203	767,540	788,107	75,636
1999	75,636	832,669	817,597	90,708
2000	90,708	441,259	531,967	0

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 8. Defined Benefit Pension Plans (continued)

supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$371,554, \$324,221 and \$300,639, respectively ; 100 percent has been contributed for fiscal years 2000, 1999, and 1998. The District pays pension fund obligations when incurred.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$687,545, \$700,949 and \$733,587, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998. The District pays pension fund obligations when incurred.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 9. Postemployment Benefits (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$392,883 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.2 percent from fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$225,586 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

Note 10. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. Only the Superintendent and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	10 Days
9 or more Years	15 Days
15 or more Years	20 Days

Administrators earn 20 days of vacation per year.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 10. Compensated Absences (continued)

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 308 days for classified employees and 328 days for certified employees.

Retirement Severance Pay:

Certified Employees

Five or More Years of Service. A teacher who has five (5) or more years of service with the Board may elect at the time of retirement from active service to be paid for thirty percent (30%) of the value of the teacher's accrued but unused sick leave credit to a maximum of ninety two (92) 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.

Ten or More Years of Service. A teacher who has ten (10) or more years of service with the Board, who resigns or who is severed from employment for any reason, may elect to receive a lump sum cash payment for thirty percent (30%) of the value of the teacher's accrued but unused sick leave credit to a maximum of forty (40) days during the remainder of the term of the agreement. 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 then effective per diem rate in effect at the time of resignation of severance of employment.

Classified Employees

Any employee who has five (5) 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 (30%) of the value of the employee's accrued but unused sick leave credit to a maximum of sixty-five (65) days. Severance pay is a per diem based upon the employee's hourly rate at retirement, 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.

Total compensated absences payable at June 30, 2000 was \$822,700.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 11. Interfund Transactions

The District's transfers-in and transfers-out consist of the following:

	Transfers-In	Transfers-Out
General Fund	\$ 0	\$ 171,643
Special Revenue	16,226	0
Enterprise	155,368	0
Agency	49	0
	\$ 171,643	\$ 171,643

At June 30, 2000, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 135,953	\$ 0
Special Revenue Funds	0	93,672
Enterprise Funds	0	42,281
	\$ 135,953	\$ 135,953

Note 12. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2000.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 12. Contingencies (continued)

B. Litigation

The District is party to various legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

Note 13. General Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance July 1, 1999	Net Change	Balance June 30,2000
Intergovernmental Payable	\$ 0	7,875	\$ 7,875
Lease Obligations Payable	293,009	(103,053)	189,956
Compensated Absences Payable	324,552	325,778	650,330
	<u>\$ 617,561</u>	<u>230,600</u>	<u>\$ 848,161</u>

On August 1, 1997 the Board of Education authorized the lease purchase of computer equipment. The lease purchase was dated August 1, 1997 for \$292,500 and matures in monthly installments through July 1, 2002, with interest payable at 4.9%. During fiscal year 2000 the Board of Education authorized the lease purchase of additional computer equipment. The lease purchase was dated September 29, 1999 for \$136,556 and matures in monthly installments through September 1, 2001, with interest payable at 4.9%.

Intergovernmental Payable was for SERS surcharge and will be paid out of the fund from which each person is paid. The Capital Lease obligations will be paid from the general fund. Compensated Absences will be paid from the fund from which each person is paid.

Principal and interest requirements to retire lease obligations are as follows:

	Principal	Interest
FY 2001	\$ 108,217	\$ 6,898
FY 2002	76,255	2,082
FY 2003	5,484	22
Total	<u>\$ 189,956</u>	<u>\$ 9,002</u>

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 14. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$2,290,880 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 15. Segment Information for Enterprise Funds

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Consumer Service Fund	Adult Education Fund	Total
Operating Revenues	\$ 194,966	152,743	90,269	1,793,876	\$ 2,231,854
Operating Expenses:					
Depreciation	5,700	0	0	20,425	26,125
Other Expenses	238,330	197,605	89,538	2,323,363	2,848,836
Total Operating Expenses	<u>244,030</u>	<u>197,605</u>	<u>89,538</u>	<u>2,343,788</u>	<u>2,874,961</u>
Operating Income (loss)	(49,064)	(44,862)	731	(549,912)	(643,107)
Non Operating Revenues					
Earnings on Investments	44	0	0	0	44
Miscellaneous	0	0	450	0	450
Operating Grants	20,585	0	0	433,077	453,662
Transfers In	41,546	63,822	0	50,000	155,368
Non Operating Expenses					
Loss on the Sale of Assets	(67,722)	0	(30,005)	(69,525)	(167,252)
Net Income (loss)	<u>\$ (54,611)</u>	<u>18,960</u>	<u>(28,824)</u>	<u>(136,360)</u>	<u>\$ (200,835)</u>
Net Working Capital	<u>\$ (1,220)</u>	<u>7,199</u>	<u>35,069</u>	<u>240,482</u>	<u>\$ 281,530</u>
Total Assets	<u>\$ 98,333</u>	<u>8,061</u>	<u>77,848</u>	<u>584,475</u>	<u>\$ 768,717</u>
Total Retained Earnings	<u>\$ 89,649</u>	<u>7,198</u>	<u>35,069</u>	<u>420,728</u>	<u>\$ 552,644</u>
Encumbrances		<u>7,612</u>		<u>28,304</u>	<u>\$ 35,916</u>

Note 16. Jointly Governed Organization

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. This jointly governed organization was formed to bring 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 Governing 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 2000 the District paid \$800 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year end and necessary adjustments are made.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 16. Jointly Governed Organizations (continued)

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to pre-purchase eight years of electricity from the Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining pre-payment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school district will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Note 17. Statutory Reserves

The District is required by State statute to annually set-aside an amount based on prior year revenues for the purchase of textbooks, and other instructional materials, and an additional amount for capital improvements. Amounts not spent by year end or offset by similarly restricted resources must be held in cash at year end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside for budget stabilization if the district's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

The following table shows the set-aside and changes for the fiscal year:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Set-aside cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 147,520
Current Year Set-aside Requirement	282,069	282,069	94,023
Qualifying Disbursements	(292,446)	(283,213)	0
Balance Carried Forward to FY2001	<u>\$ (10,377)</u>	<u>\$ (1,144)</u>	<u>\$ 241,543</u>

The District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2000**

Note 18. Fund Deficits

The following fund had a deficit balance at June 30, 2000:

Consumer Education Projects	\$ (1,711)
Career Development	\$ (11,401)
Carl D. Perkins Fund	\$ (83,352)

The fund deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficit and will take the necessary steps to alleviate the deficit. The deficits result from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

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**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Schedule of Federal Awards Expenditures
for the year ended June 30, 2000**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Non-Cash Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$5,726	\$0	\$6,110
National School Lunch Program	50948-04-PU-00	10.555	13,841	0	13,841	0
Total U. S. Department of Agriculture - Nutrition Cluster			13,841	5,726	13,841	6,110
U. S. Department of Education						
<i>Direct Program</i>						
Pell Grant	09046 RH-00-00	84.063	42,956	0	0	0
Technology Innovation Challenge Grant	N/A	84.303A	1,591,207	0	1,583,272	0
Total Direct Payment Programs			1,634,163	0	1,583,272	0
<i>Passed Through the Ohio Department of Education</i>						
Vocational Education:						
Basic Grants to States	050948 20-C1-00	84.048	221,539	0	226,586	0
	050948 20-C2-00		166,545	0	174,280	0
Ventures in Business Ownership	050948 20-A5-98		(1,343)	0	0	0
	050948 20-A5-00		1,293	0	3,457	0
Displaced Homemaker	050948 20-A4-00		4,689	0	5,749	0
Total Vocational Education			392,723	0	410,072	0
Innovative Educ. Program Strategy	050948 C2-S1-00	84.298	1,276	0	0	0
Eisenhower Professional Development	050948-MS-S1-99	84.281	(521)	0	521	0
	050948-MS-S1-00		1,425	0	120	0
	050948-MS-S4-00		18,000	0	18,000	0
Total Eisenhower Math and Science			18,904	0	18,641	0
Total U. S. Department of Education			2,047,066	0	2,011,985	0
U. S. Department of Labor						
<i>Passed Through the Ohio Department of Education</i>						
Employment Services and Job Training	50948-WK-BE-00	17.249	3,000	0	6,075	0
Total Federal Assistance			\$2,063,907	\$5,726	\$2,031,901	\$6,110

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

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
FISCAL YEAR ENDED JUNE 30, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B— SUBRECIPIENTS

The Government passes-through certain Federal assistance received from the **U.S. Department of Education** to other governments or not-for-profit agencies (subrecipients). As described in Note A, the District records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the District is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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

Board of Education
Polaris Joint Vocational School District
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

We have audited the financial statements of Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated March 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter March 9, 2001.

This report is intended for the information and use of the Audit Committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 9, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Polaris Joint Vocational School District
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

Compliance

We have audited the compliance of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter March 9, 2001.

This report is intended for the information and use of the Audit Committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 9, 2001

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Innovation Challenge Grant, 84.303A
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	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



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POLARIS JOINT VOCATIONAL SCHOOL DISTRICT

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
APRIL 24, 2001**