POLARIS CAREER CENTER
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

POLARIS CAREER CENTER
CUYAHOGA COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprises the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, and the respective budgetary comparison of the General fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2004, the Center restated the net assets in the governmental activities and business type activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

May 16, 2005

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The discussion and analysis of the Polaris Career Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The Center showed an increase in net assets of $864,013 or 6.0% during this year's operations.
- Total Center wide revenues were $18,298,532. General revenues accounted for $12,964,843; $12,931,541 in Governmental Activities and $33,302 in Business-Type Activities.
- Total program expenses were $17,434,519; $13,837,869 in Governmental Activities and $3,596,650 in Business-Type Activities.
- The Center has no outstanding debt.
- The Center's business - type activities are comprised of the Food Service program, the Uniform School Supplies program, Customer Service programs and the Adult and Community Education program. The Adult and Community Education and Food Service Funds have regularly run deficits which required a transfer of General Fund monies. Operational changes in both funds are anticipated to reduce future draws out of the General Fund.

Using this Annual Financial Report

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

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

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

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

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

The Center as a Trustee

The Center is a trustee or fiduciary for several programs. These activities are presented as a private purpose trust fund. The Center also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund.

The Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2004 compared to 2003.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	204	2003	2004	2003
Assets						
Current and Other Assets	$16,185,025	$15,799,102	$215,552	$278,432	$16,400,577	$16,077,534
Capital Assets, Net	8,622,140	8,736,985	224,517	248,566	8,846,657	8,985,551
Total Assets	24,807,165	24,536,087	440,069	526,998	25,247,234	25,063,085
Liabilities						
Current and Other Liabilities	8,703,275	9,335,987	110,346	118,674	8,813,621	9,454,661
Long Term Liabilities:						
Due Within One Year	372,802	538,920	91,916	91,469	464,718	630,389
Due in More than One Year	611,216	499,022	138,130	123,477	749,346	622,499
Total Liabilities	9,687,293	10,373,929	340,392	333,620	10,027,685	10,707,549
Net Assets						
Invested in Capital Assets Net of Related Debt	8,622,140	8,736,985	224,517	248,566	8,846,657	8,985,551
Restricted:						
Capital Projects	398,057	399,556	0	0	398,057	399,556
Set-Aside	241,244	241,244	0	0	241,244	241,244
Other Purposes	99,358	0	0	49,898	99,358	49,898
Unrestricted (Deficit)	5,759,073	4,784,373	(124,840)	(105,086)	5,634,233	4,679,287
Total Net Assets	$15,119,872	$14,162,158	$99,677	$193,378	$15,219,549	$14,355,536

The Center was able to maintain its financial health while addressing stagnant revenues, slow federal reimbursements and rising health care and payroll costs.

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

Since this is the second year the Center has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2004 are available.

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues						
Charges for Services	$170,824	$60,995	$2,950,361	$2,754,210	$3,121,185	$2,815,205
Operating Grants	1,753,382	3,351,567	459,122	372,809	2,212,504	3,724,376
Total Program Revenues	1,924,206	3,412,562	3,409,483	3,127,019	5,333,689	6,539,581
General Revenues:						
Property Taxes	9,557,255	8,010,633	0	0	9,557,255	8,010,633
Grant and Entitlements	3,054,685	2,980,652	0	0	3,054,685	2,980,652
Interest	72,061	172,407	0	0	72,061	172,407
Other	247,540	122,072	33,302	248,420	280,842	370,492
Total General Revenues	12,931,541	11,285,764	33,302	248,420	12,964,843	11,534,184
Total Revenues	14,855,747	14,698,326	3,442,785	3,375,439	18,298,532	18,073,765
Program Expenses						
Instruction:						
Regular	54,573	62,446	0	0	54,573	62,446
Special	0	31,942	0	0	0	31,942
Vocational	5,416,446	4,487,152	0	0	5,416,446	4,487,152
Adult/Continuing	82,309	136,797	0	0	82,309	136,797
Support Services:						
Pupils	1,517,761	1,041,722	0	0	1,517,761	1,041,722
Instructional Staff	1,424,172	1,266,437	0	0	1,424,172	1,266,437
Board of Education	105,189	89,127	0	0	105,189	89,127
Administration	803,860	505,528	0	0	803,860	505,528
Fiscal	608,846	363,894	0	0	608,846	363,894
Business	226,253	173,668	0	0	226,253	173,668
Operation and Maintenance of Plant	1,577,130	1,373,484	0	0	1,577,130	1,373,484
Pupil Transportation	16,830	88,473	0	0	16,830	88,473
Central	1,168,647	1,211,388	0	0	1,168,647	1,211,388
Operation of Non-Instructional Services	0	1,980,464	0	0	0	1,980,464
Extracurricular Activities	20,186	27,907	0	0	20,186	27,907
Intergovernmental	815,667	120,306	0	0	815,667	120,306
Food Service	0	0	188,856	212,110	188,856	212,110
Uniform School	0	0	77,262	93,124	77,262	93,124
Customer Services	0	0	180,695	217,792	180,695	217,792
Adult and Community Education	0	0	3,149,837	3,251,966	3,149,837	3,251,966
Total Expenses	13,837,869	12,960,735	3,596,650	3,774,992	17,434,519	16,735,727
Increaser (Decrease) in Net Assets before Transfers	1,017,878	1,737,591	(153,865)	(399,553)	864,013	1,338,038
Transfers	(60,164)	(456,913)	60,164	451,106	0	(5,807)
Increases (Decreases) in Net Assets	957,714	1,280,678	(93,701)	51,553	864,013	1,332,231
Net Assets Beginning of Year	14,162,158	12,881,480	193,378	141,825	14,355,536	13,023,305
Net Assets End of Year	$15,119,872	$14,162,158	$99,677	$193,378	$15,219,549	$14,355,536

Analysis of Overall Financial Position and Results of Operation

The financial position of the Center has improved slightly primarily due the stabilization of expense patterns. Flat revenue growth caused management to restrict expense growth.

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

(Table 3)
Governmental Activities

Programs	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction				
Regular	$54,573	($2,560)	$62,446	$172,171
Special	0	0	31,942	(31,942)
Vocational	5,416,446	(4,897,395)	4,487,152	(3,621,757)
Adult/Continuing	82,309	37,476	136,797	332,436
Support Services:				
Pupil	1,517,761	(1,275,380)	1,041,722	(237,422)
Instructional Staff	1,424,172	(1,330,223)	1,266,437	(897,754)
Board of Education	105,189	(105,189)	89,127	(89,127)
Administration	803,860	(783,498)	505,528	(371,461)
Fiscal	608,846	(608,846)	363,894	(363,894)
Business	226,253	(226,253)	173,668	(173,668)
Operation and Maintenance of Plant	1,577,130	(1,573,479)	1,373,484	(1,373,484)
Pupil Transportation	16,830	(16,830)	88,473	(88,473)
Central	1,168,647	(1,111,300)	1,211,388	(675,121)
Operation of Non-Instructional Services	0	0	1,980,464	(1,980,464)
Extracurricular	20,186	(20,186)	27,907	(27,907)
Intergovernmental	815,667	0	120,306	(120,306)
Total Expenditures	$13,837,869	($11,913,663)	$12,960,735	($9,548,173)

The Center's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $15,114,397 and expenditures of $13,681,534. The net change in fund balance for the year was stable in 2004.

General Fund Budgeting Highlights

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

During the course of fiscal 2004, the Center amended its general fund budget monthly as defined by individual team needs. The Center uses electronic budgeting process to submit requests for inclusion in the June appropriation submission to the Board.

Capital Assets

At the end of fiscal 2004 the Center had $8,846,657 invested in land, buildings, equipment, and vehicles; $8,622,140 in governmental activities. Table 4 shows fiscal 2004 balances compared to 2003.

(Table 4)
Capital Assets at June 30, 2004
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	$261,490	$261,490	$0	$0	$261,490	$261,490
Buildings	5,908,460	6,121,104	0	0	5,908,460	6,121,104
Building Improvements	19,274	19,274	0	0	19,274	19,274
Furniture and Equipment	2,332,185	2,214,088	224,517	248,566	2,556,702	2,462,654
Vehicles	100,731	121,029	0	0	100,731	121,029
Total	$8,622,140	$8,736,985	$224,517	$248,566	$8,846,657	$8,985,551

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

Center Outlook

Most of the Center's efforts are focused on controlling expenses. Reduction of capital purchases and staffing are first priorities with negotiations in Fiscal Year 2004 critical to containing staff compensation and fringe benefits. The recent membership in a multi-Center health consortium has held rate increases to single digits for health care.

Because the Center is at the 2 mill floor for Career Center operations it receives regular tax revenue growth every third year. That growth has slowed recently. Until it increases or investment income improves the key to the future is in controlling costs. Fiscal year 2004 was successful in returning to a balancing of revenues and expenditures for the first time in several years.

Contacting the Center's Financial Management

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

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Polaris Career Center

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$6,996,326	$160,523	$7,156,849
Accounts Receivable	0	27,647	27,647
Intergovernmental Receivable	59,001	0	59,001
Internal Balances	(22,225)	22,225	0
Inventory Held for Resale	0	5,157	5,157
Materials and Supplies Inventory	21,955	0	21,955
Property Taxes Receivable	9,129,968	0	9,129,968
Nondepreciable Capital Assets	261,490	0	261,490
Depreciable Capital Assets, Net	8,360,650	224,517	8,585,167
Total Assets	24,807,165	440,069	25,247,234
Liabilities			
Accounts Payable	4,129	239	4,368
Accrued Wages Payable	755,907	58,648	814,555
Matured Compensated Absences Payable	110,913	4,340	115,253
Intergovernmental Payable	133,768	47,119	180,887
Deferred Revenue	7,616,259	0	7,616,259
Matured Interest Payable	250	0	250
Claims Payable	82,049	0	82,049
Long-Term Liabilities:			
Due Within One Year	372,802	91,916	464,718
Due In More Than One Year	611,216	138,130	749,346
Total Liabilities	9,687,293	340,392	10,027,685
Net Assets			
Invested in Capital Assets	8,622,140	224,517	8,846,657
Restricted for:			
Capital Projects	398,057	0	398,057
Set Asides	241,244	0	241,244
Other Purposes	99,358	0	99,358
Unrestricted (Deficit)	5,759,073	(124,840)	5,634,233
Total Net Assets	$15,119,872	$99,677	$15,219,549

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2004

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	$54,573	$0	$52,013
Vocational	5,416,446	167,173	351,878
Adult/Continuing	82,309	0	119,785
Support Services:			
Pupil	1,517,761	0	242,381
Instructional Staff	1,424,172	0	93,949
Board of Education	105,189	0	0
Administration	803,860	0	20,362
Fiscal	608,846	0	0
Business	226,253	0	0
Operation and Maintenance of Plant	1,577,130	3,651	0
Pupil Transportation	16,830	0	0
Central	1,168,647	0	57,347
Extracurricular Activities	20,186	0	0
Intergovernmental	815,667	0	815,667
Total Governmental Activities	13,837,869	170,824	1,753,382
Business-Type Activities			
Food Service Operations	188,856	105,709	25,678
Uniform School Supplies	77,262	85,556	0
Customer Services	180,695	155,388	28,355
Adult and Community Education	3,149,837	2,603,708	405,089
Total Business-Type Activities	3,596,650	2,950,361	459,122
Totals	$17,434,519	$3,121,185	$2,212,504

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
($2,560)	$0	($2,560)
(4,897,395)	0	(4,897,395)
37,476	0	37,476
(1,275,380)	0	(1,275,380)
(1,330,223)	0	(1,330,223)
(105,189)	0	(105,189)
(783,498)	0	(783,498)
(608,846)	0	(608,846)
(226,253)	0	(226,253)
(1,573,479)	0	(1,573,479)
(16,830)	0	(16,830)
(1,111,300)	0	(1,111,300)
(20,186)	0	(20,186)
0	0	0
(11,913,663)	0	(11,913,663)
0	(57,469)	(57,469)
0	8,294	8,294
0	3,048	3,048
0	(141,040)	(141,040)
0	(187,167)	(187,167)
(11,913,663)	(187,167)	(12,100,830)
9,557,255	0	9,557,255
3,054,685	0	3,054,685
72,061	0	72,061
247,540	33,302	280,842
12,931,541	33,302	12,964,843
(60,164)	60,164	0
12,871,377	93,466	12,964,843
957,714	(93,701)	864,013
14,162,158	193,378	14,355,536
$15,119,872	$99,677	$15,219,549

Polaris Career Center

Balance Sheet

Governmental Funds

June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$5,740,749	$457,223	$6,197,972
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	241,244	0	241,244
Property Taxes Receivable	9,129,968	0	9,129,968
Interfund Receivable	73,527	0	73,527
Intergovernmental Receivable	0	59,001	59,001
Materials and Supplies Inventory	21,955	0	21,955
Total Assets	$15,207,443	$516,224	$15,723,667
Liabilities			
Accounts Payable	$4,129	$0	$4,129
Accrued Wages and Benefits	753,661	2,246	755,907
Intergovernmental Payable	122,368	799	123,167
Deferred Revenue	7,666,384	59,001	7,725,385
Interfund Payable	0	31,247	31,247
Matured Interest Payable	0	250	250
Matured Compensated Absences Payable	110,913	0	110,913
Total Liabilities	8,657,455	93,543	8,750,998
Fund Balances			
Reserved for Encumbrances	147,913	11,178	159,091
Reserved for Property Taxes	1,463,584	0	1,463,584
Reserved for Budget Stabilization	241,244	0	241,244
Unreserved:			
Undesignated, Reported in:			
General Fund	4,697,247	0	4,697,247
Special Revenue Funds	0	13,446	13,446
Capital Projects Funds	0	398,057	398,057
Total Fund Balances	6,549,988	422,681	6,972,669
Total Liabilities and Fund Balances	$15,207,443	$516,224	$15,723,667

See accompanying notes to the basic financial statements

Polaris Career Center

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total Governmental Funds Balances		$6,972,669
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,622,140
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	50,125	
Grants	59,001	
Total		109,126
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(10,601)
Long-term liabilities such as compensated absenses are not due and payable in the current period and therefore are not reported in the funds.		(984,018)
An internal service fund is used by manangement to charge the costs of insurance to individual funds. The assests and liabilities of the internal service fund are included in the statement of net assets.		475,061
An internal balance is recorded in governemental activities to reflect underpayments to the internal service fund by the business-type activities		(64,505)
Net Assets of Governmental Activities		$15,119,872

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	$9,507,130	$0	$9,507,130
Intergovernmental	3,422,461	1,694,381	5,116,842
Interest	72,061	0	72,061
Tuition and Fees	167,173	0	167,173
Rentals	3,651	0	3,651
Miscellaneous	247,540	0	247,540
Total Revenues	13,420,016	1,694,381	15,114,397
Expenditures			
Current:			
Instruction:			
Regular	0	54,573	54,573
Vocational	4,740,122	348,520	5,088,642
Adult/Continuing	0	76,394	76,394
Support Services:			
Pupil	1,303,220	259,840	1,563,060
Instructional Staff	1,316,381	77,334	1,393,715
Board of Education	105,189	0	105,189
Administration	819,173	24,476	843,649
Fiscal	613,938	0	613,938
Business	225,837	0	225,837
Operation and Maintenance of Plant	1,553,708	0	1,553,708
Pupil Transportation	16,830	0	16,830
Central	1,045,855	68,130	1,113,985
Extracurricular Activities	19,630	0	19,630
Capital Outlay	194,017	2,700	196,717
Intergovernmental	0	815,667	815,667
Total Expenditures	11,953,900	1,727,634	13,681,534
Excess of Revenues Over (Under) Expenditures	1,466,116	(33,253)	1,432,863
Other Financing Uses			
Transfers Out	(60,164)	0	(60,164)
Net Change in Fund Balances	1,405,952	(33,253)	1,372,699
Fund Balances Beginning of Year - Restated (See Note 3)	5,144,036	455,934	5,599,970
Fund Balances End of Year	$6,549,988	$422,681	$6,972,669

See accompanying notes to the basic financial statements

Polaris Career Center

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds		$1,372,699
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	346,365	
Depreciation	(461,210)	
Total		(114,845)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	50,125	
Grants	(308,775)	
Total		(258,650)
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represents contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	53,924	
Pension Obligation	(10,601)	
Total		43,323
Internal service fund used by manangement to charge the cost of insurance to individual funds is not reported in the expenditures and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(84,813)
Change in Net Assets of Governmental Activities		$957,714

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$9,161,062	$8,646,526	$8,724,505	$77,979
Intergovernmental	3,608,415	3,405,746	3,436,461	30,715
Interest	118,284	111,640	112,647	1,007
Tuition and Fees	180,538	170,398	171,935	1,537
Rentals	3,834	3,618	3,651	33
Miscellaneous	71,095	67,102	247,540	180,438
Total Revenues	13,143,228	12,405,030	12,696,739	291,709
Expenditures				
Current:				
Instruction:				
Vocational	5,333,463	5,443,195	4,865,406	577,789
Support Services:				
Pupil	1,368,920	1,349,145	1,277,839	71,306
Instructional Staff	1,608,928	1,507,114	1,333,843	173,271
Board of Education	134,350	157,048	125,805	31,243
Administration	820,408	841,073	772,580	68,493
Fiscal	558,176	655,500	605,951	49,549
Business	231,141	247,000	231,736	15,264
Operation and Maintenance of Plant	1,677,800	1,737,239	1,624,903	112,336
Pupil Transportation	14,500	20,150	20,188	(38)
Central	1,249,500	1,253,500	1,076,832	176,668
Extracurricular Activities	21,450	29,140	19,641	9,499
Capital Outlay	231,300	279,622	201,108	78,514
Total Expenditures	13,249,936	13,519,726	12,155,832	1,363,894
Excess of Revenues Over Expenditures	(106,708)	(1,114,696)	540,907	1,655,603
Other Financing Sources (Uses)				
Advances Out	(200,000)	(200,000)	(31,247)	168,753
Transfers Out	(300,000)	(300,000)	(60,164)	239,836
Total Other Financing Sources (Uses)	(500,000)	(500,000)	(91,411)	408,589
Net Change in Fund Balance	(606,708)	(1,614,696)	449,496	2,064,192
Fund Balance Beginning of Year	5,194,150	5,194,150	5,194,150	0
Prior Year Encumbrances Appropriated	222,765	222,765	222,765	0
Fund Balance End of Year	$4,810,207	$3,802,219	$5,866,411	$2,064,192

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities - Internal Service Fund
Assets				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	$52,646	$107,877	$160,523	$557,110
Accounts Receivable	27,647	0	27,647	0
Inventory Held for Resale	0	5,157	5,157	0
Total Current Assets	80,293	113,034	193,327	557,110
Noncurrent Assets				
Depreciable Capital Assets, Net	161,502	63,015	224,517	0
Total Assets	241,795	176,049	417,844	557,110
Liabilities				
Current Liabilities				
Accounts Payable	239	0	239	0
Accrued Wages Payable	57,076	1,572	58,648	0
Intergovernmental Payable	43,576	3,543	47,119	0
Interfund Payable	0	42,280	42,280	0
Claims Payable	0	0	0	82,049
Matured Compensated Absences Payable	4,340	0	4,340	0
Compensated Absences Payable	91,916	0	91,916	0
Total Current Liabilities	197,147	47,395	244,542	82,049
Long-Term Liabilities				
Compensated Absences Payable	130,376	7,754	138,130	0
Total Liabilities	327,523	55,149	382,672	82,049
Net Assets				
Invested in Capital Assets	161,502	63,015	224,517	0
Unrestricted (Deficit)	(247,230)	57,885	(189,345)	475,061
Total Net Assets (Deficit)	($85,728)	$120,900	35,172	$475,061
Net assets reported for business-type activities in the statement of net assets is different because their share of internal service fund assets and liabilities is included .			64,505	
Net assets of business-type activities			$99,677	

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities Internal Service Fund
Operating Revenues				
Charges for Services	$0	$261,097	$261,097	$346,425
Tuition and Fees	2,603,708	85,556	2,689,264	0
Miscellaneous	12,105	21,197	33,302	0
Total Operating Revenues	2,615,813	367,850	2,983,663	346,425
Operating Expenses				
Salaries	2,140,204	82,603	2,222,807	0
Fringe Benefits	553,872	33,252	587,124	0
Purchased Services	196,986	15,143	212,129	12,806
Materials and Supplies	227,229	305,027	532,256	0
Depreciation	17,298	6,751	24,049	0
Claims Expense	0	0	0	431,758
Other	2,630	2,329	4,959	0
Total Operating Expenses	3,138,219	445,105	3,583,324	444,564
Operating Loss	(522,406)	(77,255)	(599,661)	(98,139)
Non-Operating Revenues				
Grants	405,089	25,678	430,767	0
Contributions and Donations	0	28,355	28,355	0
Total Non-Operating Revenues	405,089	54,033	459,122	0
Loss Before Transfers	(117,317)	(23,222)	(140,539)	(98,139)
Transfers In	25,000	35,164	60,164	0
Change in Net Assets	(92,317)	11,942	(80,375)	(98,139)
Net Assets Beginning of Year	6,589	108,958		573,200
Net Assets (Deficit) End of Year	($85,728)	$120,900		$475,061
Some amounts reported for business-type activities in the statement of activities are different because their share of the change in internal service fund assets and liabilities is included.			(13,326)	
Change in net assets of business-type activities			($93,701)	

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$2,707,250	$348,347	$3,055,597	$0
Cash Received from Interfund Services	0	0	0	346,425
Cash Received from Other Operating Revenues	12,105	21,197	33,302	0
Cash Payments to Suppliers for Goods and Services	(426,436)	(317,758)	(744,194)	(12,806)
Cash Payments to Employees for Services	(2,182,713)	(88,555)	(2,271,268)	0
Cash Payments for Employee Benefits	(490,060)	(33,717)	(523,777)	0
Cash Payments for Claims	0	0	0	(407,746)
Cash Payments for Other Operating Expenses	(2,630)	(2,329)	(4,959)	0
Net Cash Used for Operating Activities	(382,484)	(72,815)	(455,299)	(74,127)
Cash Flows from Noncapital Financing Activities				
Grants	405,089	18,453	423,542	0
Contributions and Donations	0	28,355	28,355	0
Transfers In	25,000	35,164	60,164	0
Net Cash Provided by Noncapital Financing Activities	430,089	81,972	512,061	0
Net Increase (Decrease) in Cash and Cash Equivalents	47,605	9,157	56,762	(74,127)
Cash and Cash Equivalents Beginning of Year	5,041	98,720	103,761	631,237
Cash and Cash Equivalents End of Year	$52,646	$107,877	$160,523	$557,110

(continued)

Polaris Career Center

Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Adult and Community Education	All Other Non-Major Enterprise	Total	Internal Service Fund
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:				
Operating Loss	($522,406)	($77,255)	($599,661)	($98,139)
Adjustments:				
Depreciation	17,298	6,751	24,049	0
(Increase)/Decrease in Assets:				
Accounts Receivable	103,542	1,694	105,236	0
Materials and Supplies Inventory	0	738	738	0
Inventory Held for Resale	0	6,933	6,933	0
Increase/(Decrease) in Liabilities:				
Accounts Payable	(2,221)	(5,259)	(7,480)	0
Accrued Wages Payable	(27,657)	(5,952)	(33,609)	0
Compensated Absences Payable	20,172	(732)	19,440	0
Intergovernmental Payable	28,788	267	29,055	0
Claims Payable	0	0	0	24,012
Total Adjustments	139,922	4,440	144,362	24,012
Net Cash Used for Operating Activities	($382,484)	($72,815)	($455,299)	($74,127)

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Special Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$11,094	$50,977
Liabilities		
Due to Students	0	$50,977
Net Assets		
Held in Trust for Scholarships	$11,094	

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	Special Trust
Additions	
Interest	$82
Deductions	
Scholarships Awarded	2,291
Change in Net Assets	(2,209)
Net Assets Beginning of Year	13,303
Net Assets End of Year	$11,094

See accompanying notes to the basic financial statements

Note 1 - Description of the Center and Reporting Entity

The Polaris Career Center (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The Center operates under a Board of Education consisting of seven members which is comprised of one member from each of the participating school districts that serve a two year term and one rotating member picked by the member School Districts to serve a one year term. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City School District, Olmsted Falls City School District, and Strongsville City School District are the member districts. The enter employs 11 administrative and supervisory personnel, 55 certified employees and 87 non-certificated employees who provide services to 534 students and other community members.

Reporting Entity

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

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

The Center participates in a jointly governed organization and two public entity risk pools. The jointly governed organization is the Ohio Schools' Council Association and the public entity risk pools are the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Suburban Health Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the stand alone government, except for fiduciary funds. The statements distinguish between those activities of the Center that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

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

B. Fund Accounting

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

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

> ***General Fund*** - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition and student fees.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within a function for the general fund, and all other funds, except the state and federal special revenue funds. The state and federal special revenue funds are budgeted at the object level within a function for each fund group. Any budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

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

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

F. Cash and Investments

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

During fiscal year 2004, investments were limited to federal national mortgage association bonds, federal home loan bank bonds, federal home loan mortgage corporation bonds, STAROhio and a repurchase agreement.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to $72,061 which includes $15,925 assigned from other Center funds.

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund represent amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 15 for additional information regarding set-asides.

H. Inventory

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of one thousand dollars. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Buildings	50 years
Building Improvements	15-30 years
Furniture and Equipment	5-20 years
Vehicles	5-15 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of the compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include resources restricted for adult basic education and vocational education.

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

N. Fund Balance Reserves

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Center, these revenues are sales for food service, uniform school supplies, customer services and adult education and charges for service for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the uniform school supplies enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

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

R. Estimates

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

Note 3 – Changes in Accounting Principles and Restatement of Net Assets/Fund Balance

A. Changes in Accounting Principles

For fiscal year 2004, the Center has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are component Units." GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the reporting entity of the Center.

B. Restatement of Net Assets/Fund Balance

	General	Nonmajor	Total
Fund Balances, June 30, 2003	$5,140,492	$455,928	$5,596,420
Overstatement of Due to Other Funds	3,544	6	3,550
Adjusted Fund Balances, June 30, 2003	$5,144,036	$455,934	$5,599,970

The overstatement of compensated absences and the understatement of internal balances between the governmental and business-type activities had the following effects on net assets. Net income was not effected.

	Governmental Activities	Business-Type Activities
Net Assets, June 30, 2003	$10,472,391	$46,139
Compensated Absences Adjustments	3,767,598	69,408
Internal Balance Adjustments	(77,831)	77,831
Adjusted Net Assets, June 30, 2003	$14,162,158	$193,378

Note 4 – Compliance and Accountability

A. Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following fund and accounts had expenditures plus encumbrances in excess of final appropriations:

	Final Appropriations	Expenditures Plus Encumbrances	Excess
General Fund:			
Current:			
Support Services:			
Instructional Staff			
Other	$9,500	$11,788	$2,288
Administation			
Salaries and Wages	524,000	540,965	16,965
Fringe Benefits	200,568	201,130	562
Pupil Transportation			
Purchased Services	15,000	15,663	663

Although these budgetary violations were not corrected by fiscal year-end, management had indicated that appropriations will be closely monitored to ensure no future violations.

B. Accountability

Fund balances at June 30, 2004, included the following individual fund deficit:

Enterprise Fund:	
Adult and Community Education	$85,728

The enterprise deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	$1,405,952
Net Adjustment for Revenue Accruals	(694,009)
Beginning Fair Value Adjustment for Investments	5,659
Ending Fair Value Adjustment for Investments	(34,927)
Net Adjustment for Expenditure Accruals	(51,423)
Advances Out	(31,247)
Encumbrances	(150,509)
Budget Basis	$449,496

Note 6 - Deposits and Investments

State statutes classify monies held by the Center 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 Center Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the Center'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 invested in the following securities:

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above 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;

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);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year end, the Center had $950 in undeposited cash on hand which is included on the balance sheet of the Center as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the Center's deposits was $2,312,353 and the bank balance was $2,522,880. $119,315 of the bank balance was covered by federal depository insurance. $2,403,565 was uninsured and uncollateralized.

Investments GASB Statement 3 requires investments to be categorized to give an indication of the level of risk assumed by the Center at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Center's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	$450,000	$450,000	$450,000
Federal National Mortgage Association Bonds	1,975,397	1,975,397	1,975,397
Federal Home Loan Bank Bonds	990,613	990,613	990,613
Federal Home Loan Mortgage Corporation Bonds	1,000,000	1,000,000	1,000,000
STAROhio		489,607	489,607
Total	$4,416,010	$4,905,617	$4,905,617

The classification of cash and cash equivalents and investments on the fund financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	$7,218,920	$0
Investments Which are Part of a Cash Management Pool		
Repurchase Agreement	(450,000)	450,000
Federal National Mortgage Association Bonds	(1,975,397)	1,975,397
Federal Home Loan Bank Bonds	(990,613)	990,613
Fderal Home Loan Mortgage Corporation Bonds	(1,000,000)	1,000,000
STAROhio	(489,607)	489,607
Cash on hand	(950)	0
GASB Statement No. 3	$2,312,353	$4,905,617

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30.

The Center receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance in the general fund was $1,463,584 at June 30, 2004 and $722,247 at June 30, 2003. The difference was in timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential and other Real Estate	$4,111,756,860	87.60%	$4,411,853,280	89.05%
Public Utility Personal	122,987,810	2.62	122,313,760	2.47
Tangible Personal Property	458,819,746	9.78	420,345,199	8.48
	$4,693,564,416	100.00%	$4,954,512,239	100.00%
Tax Rate per $1,000 of assessed valuation	$2.40		$2.40	

Note 8 – Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

The principal item of intergovernmental receivables was in the special revenue Adult Basic Education Fund for $59,001.

Note 9 - Risk Management

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the Center contracted with Marsh Insurance for property, crime, inland marine, and automobile coverage. The primary deductibles are $1,000 for property, $1,000 for inland marine and $500 for automobile.

The Center participates in the basic Ohio School Plan (OSP) liability program through Marsh Insurance. This program consists of coverage limits of $2,000,000 per occurrence, $4,000,000 annual aggregate on General Liability exposures and $1,000,000 per occurrence, $1,000,000 annual aggregate on Education Legal Liability.

Excess liability coverage is provided by the OSP program with a $1,000,000 singe occurrence limit and a $1,000,000 aggregate limit. Violence coverage is provided by the OSP program with a $1,000,000 single occurrence limit and a $1,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

B. Bonding

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

C. Workers' Compensation

For fiscal year 2004, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in thee GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

D. Self-Insurance

The Center offers vision, drug card and dental benefits to all eligible employees and their dependants through a self-insurance internal service fund. The Center is self-insured with Klais & Company serving as third-party administrator. The claims liability of $82,049 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claim liability amount in fiscal years 2003 and 2004 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2003	$21,744	$366,380	$330,087	$58,037
2004	58,037	431,758	407,746	82,049

E. Employee Health Benefits

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

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

A small percentage (under 10%) of the Center's employees chooses a Health Maintenance Organization (Kaiser Permanente) and is 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.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities:				
Capital assets not being depreciated				
Land	$261,490	$0	$0	$261,490
Capital assets being depreciated				
Buildings	11,881,259	0	0	11,881,259
Buildings Improvements	192,739	0	0	192,739
Furniture and Equipment	4,462,458	346,365	(121,251)	4,687,572
Vehicles	274,954	0	0	274,954
Total capital assets being depreciated	16,811,410	346,365	(121,251)	17,036,524
Accumulated depreciation				
Buildings	(5,760,155)	(212,644)	0	(5,972,799)
Buildings Improvements	(173,465)	0	0	(173,465)
Furniture and Equipment	(2,248,370)	(228,268)	121,251	(2,355,387)
Vehicles	(153,925)	(20,298)	0	(174,223)
Total accumulated depreciation	(8,335,915)	(461,210) *	121,251	(8,675,874)
Capital assets being depreciated, net	8,475,495	(114,845)	0	8,360,650
Governmental activities capital assets, net	$8,736,985	($114,845)	$0	$8,622,140
Business type activities				
Equipment	$507,049	$0	$0	$507,049
Accumulated depreciation				
Equipment	(258,483)	(24,049) **	0	(282,532)
Business-type activities capital assets, net	$248,566	($24,049)	$0	$224,517

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	$375,399
Adult/Continuing	5,915
Support Services:	
Pupil	10
Instructional Staff	14,696
Administration	1,922
Fiscal	4,003
Operation and Maintenance of Plant	10,521
Central	48,188
Extracurricular	556
Total Depreciation Expense	$461,210

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

Food Service	$6,751
Adult and Community Education	17,298
Total Depreciation Expense	$24,049

Note 11 - Pension Plans

A. School Employees Retirement System

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statue Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were $300,690, $266,385, and $171,125 respectively; 97.54 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003 and 2002 were $865,448, $804,715, and $627,461 respectively; 89.42 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were $12,338 made by the Center and $18,921 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated 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 System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS retirees from the DC and Combined Plan and their 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. All benefit recipients pay a portion of 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, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled $66,573 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was $3.10 billion. For the year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established as $25,400. For the Center, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled $192,341.

The surcharge, 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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were $223,443,805 and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Vacation Leave

The Superintendent and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. Administrators earn twenty days of vacation per year. School support personnel accumulate vacation based on the following factors:

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

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

B. Sick Leave

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

C. Retirement Severance Pay

Certified Employees

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

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

2. *Ten or More Years of Service* A teacher who has ten or more years of service with the Center, who resigns or who is severed from employment for any reason, may elect to receive a lump sum cash payment for thirty percent of the value of the teacher's accrued but unused sick leave credit to a maximum of forty days 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.

Classified Employees

1. Any employee who has five or more years of service with the Board of Education may elect at the time of retirement from active service to be paid for thirty percent of the value of the employee's accrued but unused sick leave credit to a maximum of ninety-eight days. Severance pay is a per diem based upon the employee's hourly rate 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.

Note 14 - Long-term Obligations

The changes in the Center's long-term obligations during fiscal year 2004 were as follows:

	Restated Outstanding 06/30/03	Additions	Reductions	Outstanding 06/30/04	Amount Due in One Year
Governmental Activities					
Compensated Absences	$1,037,942	$126,228	$180,152	$984,018	$372,802
Business-Type Activities					
Compensated Absences	$214,946	$17,729	$2,629	$230,046	$91,916

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

The Center's overall legal debt margin was $445,906,102 with an unvoted debt margin of $4,954,512 at June 30, 2004.

Note 15 - Set-Asides

The Center is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the Center was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbook Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2003	$241,244	$0	($1,359,926)
Current Year Set-aside Requirement	0	85,824	85,324
Qualifying Disbursements	0	(194,017)	(436,441)
Totals	$241,244	($108,193)	($1,711,043)
Set-aside Balance Carried Forward to Future Fiscal Years	$241,244	$0	($1,711,043)
Set-aside Reserve Balance as of June 30, 2004	$241,244	$0	$0

The Center had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was $241,244.

Note 16 - Jointly Governed Organization

Ohio Schools' Council Association - The Center participates in the Ohio Schools' Council Association (Council), a jointly governed organization that was formed to bring quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying and 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 Center is limited to its representation of the Board. In fiscal year 2004 the Center paid $800 to the Council. Financial information can be obtained by contacting David A. Contrell, the Executive Secretary/Treasurer at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Center 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.

In 1997, Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued $119,140,000 in debt to purchase eight years of electricity from the Cleveland Electric Illuminating (CEI) Company for participants. The participating school districts are not obligated in any manner for this debt. If a participating school districts 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 Center 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 and existing 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 Centers 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 – Public Entity Risk Pools

A. Insurance Purchasing Pool

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

B. Risk Sharing Pool

The Suburban Health Consortium is a shared risk pool created pursuant to State statute for the purpose of administrating health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts/centers, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, nor further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Note 18 - Contingencies

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2004.

B. Litigation

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

Note 19 - Interfund Transactions

A. Interfund Balances

Interfund Payable	Interfund Receivable General
Nonmajor Governmental Funds:	
Title V	$228
Miscellaneous Federal Grants	31,019
Total Nonmajor Governmental	31,247
Enterprise Fund:	
Customer Services	42,280
Grand Total	$73,527

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

B. Interfund Transfers

Transfers made during the year ended June 30, 2004 were as follows:

Transfers To	Transfers From General
Enterprise Funds:	
Adult and Community Education	$25,000
Food Service	35,164
Total	$60,164

The transfer from the General Fund to the Adult and Community Education Fund was to cover the difference in revenue and expenses of the high school credit evening program that sometimes does not generate enough tuition revenue to cover expenses since the classes can be quite small. The Board of Education agreed by resolution to fund any deficit that occurs through the operation of the high school credit evening classes.

Note 20 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient…"

The Center is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

POLARIS CAREER CENTER
CUYAHOGA COUNTY

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse-ments
U. S. Department of Agriculture						
Pass Through the Ohio Department of Education						
Nutrition Cluster:						
Food Distribution	N/A	10.550	$0	$8,184	$0	$8,184
Total Food Distribution			**$0**	**$8,184**	**$0**	**$8,184**
National School Breakfast Program	050948-05PU-03	10.553	89	0	89	0
	050948-05PU-04	10.553	1,173	0	1,173	0
Total National School Breakfast Program			**1,262**	**0**	**1,262**	**0**
National School Lunch Program	050948-LLP4-03	10.555	4,280	0	4,280	0
	050948-LLP4-03	10.555	12,157	0	12,157	0
Total National School Lunch Program			**16,437**	**0**	**16,437**	**0**
Total U. S. Department of Agriculture - Nutrition Cluster			**17,699**	**8,184**	**17,699**	**8,184**
U. S. Department of Education						
Direct Programs						
Pell Grant	P063P034252	84.063	70,646	0	70,516	0
Total Pell Grant			**70,646**	**0**	**70,516**	**0**
Technology Innovation Challenge Grant-Alliance Grant	R303A980063	84.303A	871,526	0	857,118	0
Total Technology Innovation Challenge Grant-Alliance Grant			**871,526**	**0**	**857,118**	**0**
Total Direct Payment Programs			**942,172**	**0**	**927,634**	**0**
Passed Through the Stevens Institute of Technology						
Teachers Technology	P342A030152	84.342A	0	0	26,519	0
Total Teachers Technology			**0**	**0**	**26,519**	**0**
Passed Through the Ohio Department of Education						
Workforce Investment Act	050948-WFHS-03	17.258	5,992	0	5,992	0
	050948-WFHS-04	17.258	19,312	0	16,560	0
Total Workforce Investment Act			**25,304**	**0**	**22,552**	**0**
Innovative Education Program Strategy	050948-C2S1-04	84.298	7,923	0	7,252	0
Total Innovative Education Program Strategy			**7,923**	**0**	**7,252**	**0**
Safe and Drug Free Schools	050948-DRS1-04	84.186	2,694	0	2,694	0
Total Safe and Drug Free Schools			**2,694**	**0**	**2,694**	**0**
Vocational Education						
Basic Grants to States	20A0-04	84.048	20,000	0	17,489	0
	20C1-03	84.048	12,113	0	1,102	0
	20C1-04	84.048	274,376	0	267,876	0
	20C2-03	84.048	25,976	0	0	0
	20C2-04	84.048	170,269	0	169,420	0
Total Basic Grants to States			**502,734**	**0**	**455,887**	**0**
Adult Basic Literacy Education	050948-ABS1-03	84.002	(4,045)	0	0	0
	050948-ABS1-03C	84.002	35,516	0	36,328	0
	050948-ABS1-04	84.002	23,159	0	19,987	0
	050948-ABS2-03	84.002	(8,754)	0	0	0
	050948-ABS2-03C	84.002	8,754	0	8,754	0
	050948-ABS1-03	84.002	22,744	0	14,786	0
Total Adult Basic Literacy Education			**77,374**	**0**	**79,855**	**0**
Title II-A Improving Teacher Quality	050948-TRS1-04	84.367	7,117	0	6,818	0
Total Title II-A Improving Teacher Quality			**7,117**	**0**	**6,818**	**0**
American Resource Network Grant	OE00-04	84.346	5,900	0	5,897	0
Total American Resource Network Grant			**5,900**	**0**	**5,897**	**0**
Total Ohio Department of Education			**629,046**	**0**	**580,955**	**0**
Total Federal Assistance			**$1,588,917**	**$8,184**	**$1,552,807**	**$8,184**

See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

CFDA – Catalog of Federal Domestic Assistance

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule is a summary of the activity of the Center's federal awards programs. The schedule has been prepared on the cash basis of accounting.

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements and have issued our report thereon dated May 16, 2005, wherein we noted the Center restated the net assets in the governmental activities and business type activities. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated May 16, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards.* In a separate letter to the Center's management dated May 16, 2005, we reported other matters related to noncompliance we deem immaterial.

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

Betty Montgomery

Betty Montgomery
Auditor of State

May 16, 2005

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Polaris Career Center, Cuyahoga County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government's compliance based on our audit.

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

In our opinion, the Polaris Career Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004. In a separate letter to the Center's management dated May 16, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The Center's management 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 Center's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Betty Montgomery

Betty Montgomery
Auditor of State

May 16, 2005

POLARIS CAREER CENTER
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30 2005

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 noncompliance 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):**	84.048 Vocational Education Basic Grants to States (Carl D. Perkins)
(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

Auditor of State
Betty Montgomery

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POLARIS CAREER CENTER

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 30, 2005