



Dave Yost • Auditor of State

**POLARIS CAREER CENTER
CUYAHOGA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio (the Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund; thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Center's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 6, 2015

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Polaris Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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, 2014. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The phase out of the tangible personal property reimbursement has decreased revenues.
- The Center's enrollment has stabilized, but State funding has not increased in proportion, as the Center is on the transitional aid guarantee. This guarantee provides a level of funding that does not increase with increased enrollment.

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 Position 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 Position 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 2014?" The Statement of Net Position 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 position* and changes in that position. This change in net position 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.

Polaris Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's funds begins on page 9. 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 enterprise fund is the adult and community education fund.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Center's programs. These funds use the accrual basis of accounting.

The Center as a Trustee

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

Polaris Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The Center as a Whole

Recall that the Statement of Net Position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2014 compared to 2013.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$18,632,892	\$18,932,146	\$1,628,193	\$1,551,534	\$20,261,085	\$20,483,680
Capital Assets, Net	6,794,649	6,631,685	41,235	54,338	6,835,884	6,686,023
<i>Total Assets</i>	<u>25,427,541</u>	<u>25,563,831</u>	<u>1,669,428</u>	<u>1,605,872</u>	<u>27,096,969</u>	<u>27,169,703</u>
Liabilities						
Current and Other Liabilities	1,319,761	1,353,970	79,876	53,063	1,399,637	1,407,033
Long Term Liabilities:						
Due Within One Year	1,369,294	1,268,405	123,083	97,913	1,492,377	1,366,318
Due in More than One Year	2,780,656	3,371,404	10,814	41,112	2,791,470	3,412,516
<i>Total Liabilities</i>	<u>5,469,711</u>	<u>5,993,779</u>	<u>213,773</u>	<u>192,088</u>	<u>5,683,484</u>	<u>6,185,867</u>
Deferred Inflows of Resources	<u>7,192,990</u>	<u>7,496,062</u>	<u>0</u>	<u>0</u>	<u>7,192,990</u>	<u>7,496,062</u>
Net Investment in Capital Assets	4,156,953	3,684,605	41,235	54,338	4,198,188	3,738,943
Restricted:						
Capital Projects	125,146	0	0	0	125,146	0
Set Asides	241,244	241,244	0	0	241,244	241,244
Other Purposes	70,761	105,025	0	0	70,761	105,025
Unrestricted	8,170,716	8,043,116	1,414,420	1,359,446	9,585,136	9,402,562
<i>Total Net Position</i>	<u>\$12,764,820</u>	<u>\$12,073,990</u>	<u>\$1,455,655</u>	<u>\$1,413,784</u>	<u>\$14,220,475</u>	<u>\$13,487,774</u>

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

Polaris Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(Table 2)
Changes in Net Position

	Governmental		Business-Type		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$127,816	\$160,748	\$2,881,885	\$2,984,615	\$3,009,701	\$3,145,363
Operating Grants	782,334	967,653	373,468	345,224	1,155,802	1,312,877
<i>Total Program Revenues</i>	<u>910,150</u>	<u>1,128,401</u>	<u>3,255,353</u>	<u>3,329,839</u>	<u>4,165,503</u>	<u>4,458,240</u>
General Revenues:						
Property Taxes	9,718,262	9,072,020	0	0	9,718,262	9,072,020
Grant and Entitlements not Restricted to Specific Programs	3,920,337	3,949,859	0	0	3,920,337	3,949,859
Contributions and Donations	0	2,391	0	0	0	2,391
Investment Earnings	34,533	43,686	0	0	34,533	43,686
Other	177,079	37,457	7,640	6,112	184,719	43,569
<i>Total General Revenues</i>	<u>13,850,211</u>	<u>13,105,413</u>	<u>7,640</u>	<u>6,112</u>	<u>13,857,851</u>	<u>13,111,525</u>
<i>Total Revenues</i>	<u>14,760,361</u>	<u>14,233,814</u>	<u>3,262,993</u>	<u>3,335,951</u>	<u>18,023,354</u>	<u>17,569,765</u>
Program Expenses						
Instruction:						
Vocational	6,215,254	6,564,340	0	0	6,215,254	6,564,340
Adult/Continuing	243,095	314,651	0	0	243,095	314,651
Support Services:						
Pupil	1,567,574	1,820,635	0	0	1,567,574	1,820,635
Instructional Staff	1,496,611	1,699,210	0	0	1,496,611	1,699,210
Board of Education	135,109	188,568	0	0	135,109	188,568
Administration	922,631	824,243	0	0	922,631	824,243
Fiscal	643,866	657,961	0	0	643,866	657,961
Business	114,683	117,035	0	0	114,683	117,035
Operation and Maintenance of Plant	1,449,831	1,430,512	0	0	1,449,831	1,430,512
Pupil Transportation	16,913	22,259	0	0	16,913	22,259
Central	1,106,509	1,238,525	0	0	1,106,509	1,238,525
Extracurricular Activities	61,666	44,807	0	0	61,666	44,807
Interest and Fiscal Charges	83,812	92,652	0	0	83,812	92,652
Uniform School Supplies	0	0	106,784	97,518	106,784	97,518
Customer Services	0	0	270,946	265,215	270,946	265,215
Adult and Community Education	0	0	2,855,369	2,417,069	2,855,369	2,417,069
<i>Total Expenses</i>	<u>14,057,554</u>	<u>15,015,398</u>	<u>3,233,099</u>	<u>2,779,802</u>	<u>17,290,653</u>	<u>17,795,200</u>
<i>Increase (Decrease) in Net Position before Transfers</i>	702,807	(781,584)	29,894	556,149	732,701	(225,435)
Transfers	(11,977)	5,011	11,977	(5,011)	0	0
<i>Changes in Net Position</i>	<u>690,830</u>	<u>(776,573)</u>	<u>41,871</u>	<u>551,138</u>	<u>732,701</u>	<u>(225,435)</u>
Net Position Beginning of Year	12,073,990	12,850,563	1,413,784	862,646	13,487,774	13,713,209
Net Position End of Year	<u>\$12,764,820</u>	<u>\$12,073,990</u>	<u>\$1,455,655</u>	<u>\$1,413,784</u>	<u>\$14,220,475</u>	<u>\$13,487,774</u>

Polaris Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Analysis of Overall Financial Position and Results of Operation

The Center continues to look for ways to keep expenditures in line with revenues. Revenues were slightly higher in fiscal year 2014 than in the prior fiscal year due to increased monies from property taxes.

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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction:				
Vocational	\$6,215,254	(\$5,911,998)	\$6,564,340	(\$6,203,313)
Adult/Continuing	243,095	(17,122)	314,651	(64,187)
Support Services:				
Pupil	1,567,574	(1,470,168)	1,820,635	(1,698,456)
Instructional Staff	1,496,611	(1,274,047)	1,699,210	(1,358,233)
Board of Education	135,109	(133,772)	188,568	(186,307)
Administration	922,631	(913,572)	824,243	(814,549)
Fiscal	643,866	(637,504)	657,961	(650,077)
Business	114,683	(113,549)	117,035	(115,635)
Operation and Maintenance of Plant	1,449,831	(1,436,245)	1,430,512	(1,413,489)
Pupil Transportation	16,913	(16,746)	22,259	(21,993)
Central	1,106,509	(1,077,812)	1,238,525	(1,223,836)
Extracurricular Activities	61,666	(61,057)	44,807	(44,270)
Interest and Fiscal Charges	83,812	(83,812)	92,652	(92,652)
Total Expenses	<u>\$14,057,554</u>	<u>(\$13,147,404)</u>	<u>\$15,015,398</u>	<u>(\$13,886,997)</u>

The Center's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$15,002,248 a slight increase from the prior fiscal year, and expenditures of \$14,713,296 a slight decrease from the prior fiscal year. The overall fund balance increased in 2014.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the Center amended its general fund budget monthly as defined by individual team needs. The Center uses an electronic budgeting process to submit requests for inclusion in the June appropriation submission to the Board.

The final general fund appropriations were \$14,930,250, and the actual expenditures amounted to \$13,780,249.

Polaris Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Capital Assets

At the end of fiscal year 2014 the Center had \$6,835,884 invested in land, buildings and improvements, furniture and equipment, and vehicles. \$6,794,649 was in governmental activities. Table 4 shows fiscal 2014 balances compared to 2013.

(Table 4)
Capital Assets at June 30, 2014
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$261,490	\$261,490	\$0	\$0	\$261,490	\$261,490
Buildings and Improvements	4,848,952	5,164,817	0	0	4,848,952	5,164,817
Furniture and Equipment	1,684,207	1,205,378	41,235	54,338	1,725,442	1,259,716
Total	\$6,794,649	\$6,631,685	\$41,235	\$54,338	\$6,835,884	\$6,686,023

The increase was the result of the completion of the new deli project. Please see Note 10 for more information.

Debt

During fiscal year 2014, the Center had \$2,637,696 in a capital lease obligation, with \$318,484 due within one year. See Note 14 of the basic financial statements for additional information on debt.

Center Outlook

For years the Center has benefited from being at the two mill floor during rising property valuations. The inflation every third year allowed the Center to not be on the ballot for more millage. 2009 valuations were reduced by 8.7 percent and the millage was rolled up to 2.4 mills. This led to no current loss in revenue, but revenues from the largest revenue source are anticipated to be flat for at least nine years due to the economy and the three year cycle of reappraisals and updates of property tax values. In the short term, the Center will control expenditures and draw on its carryover balance to offset expenses exceeding revenue.

Now that the phase out of the tangible tax revenue is complete, the Center receives only personal property tax revenue from public utilities. The Center is projecting a slight increase in the personal property tax revenue for the next few years due to increases in public utility valuations.

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 Mike Robinson, Treasurer, Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130 or e-mail at mrobinso@polaris.edu.

Polaris Career Center
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,878,232	\$1,624,156	\$10,502,388
Accrued Interest Receivable	9,427	0	9,427
Accounts Receivable	5,050	4,037	9,087
Intergovernmental Receivable	63,155	0	63,155
Materials and Supplies Inventory	36,354	0	36,354
Property Taxes Receivable	9,640,654	0	9,640,654
Nondepreciable Capital Assets	261,490	0	261,490
Depreciable Capital Assets, Net	6,533,159	41,235	6,574,394
<i>Total Assets</i>	<u>25,427,521</u>	<u>1,669,428</u>	<u>27,096,949</u>
Liabilities			
Accounts Payable	96,359	2,492	98,851
Accrued Wages and Benefits Payable	978,908	66,382	1,045,290
Intergovernmental Payable	161,457	11,002	172,459
Matured Compensated Absences Payable	82,787	0	82,787
Matured Interest Payable	250	0	250
Long-Term Liabilities:			
Due Within One Year	1,369,294	123,083	1,492,377
Due in More Than One Year	2,780,656	10,814	2,791,470
<i>Total Liabilities</i>	<u>5,469,711</u>	<u>213,773</u>	<u>5,683,484</u>
Deferred Inflows of Resources			
Property Taxes	7,192,990	0	7,192,990
Net Position			
Net Investment in Capital Assets	4,156,953	41,235	4,198,188
Restricted for:			
Capital Projects	125,146	0	125,146
Set Asides	241,244	0	241,244
Other Purposes	70,761	0	70,761
Unrestricted	8,170,716	1,414,420	9,585,136
<i>Total Net Position</i>	<u>\$12,764,820</u>	<u>\$1,455,655</u>	<u>\$14,220,475</u>

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest
Governmental Activities			
Instruction:			
Vocational	\$6,215,254	\$57,591	\$245,665
Adult/Continuing	243,095	0	225,973
Support Services:			
Pupil	1,567,574	14,629	82,777
Instructional Staff	1,496,611	12,484	210,080
Board of Education	135,109	1,337	0
Administration	922,631	9,059	0
Fiscal	643,866	6,362	0
Business	114,683	1,134	0
Operation and Maintenance of Plant	1,449,831	13,586	0
Pupil Transportation	16,913	167	0
Central	1,106,509	10,858	17,839
Extracurricular Activities	61,666	609	0
Interest and Fiscal Charges	83,812	0	0
<i>Total Governmental Activities</i>	<u>14,057,554</u>	<u>127,816</u>	<u>782,334</u>
Business-Type Activities			
Uniform School Supplies	106,784	93,896	0
Customer Services	270,946	266,075	0
Adult and Community Education	2,855,369	2,521,914	373,468
<i>Total Business-Type Activities</i>	<u>3,233,099</u>	<u>2,881,885</u>	<u>373,468</u>
<i>Totals</i>	<u>\$17,290,653</u>	<u>\$3,009,701</u>	<u>\$1,155,802</u>

General Revenues

Property Taxes Levied for General Purposes

Grants and Entitlements not

 Restricted to Specific Programs

Investment Earnings

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$5,911,998)	\$0	(\$5,911,998)
(17,122)	0	(17,122)
(1,470,168)	0	(1,470,168)
(1,274,047)	0	(1,274,047)
(133,772)	0	(133,772)
(913,572)	0	(913,572)
(637,504)	0	(637,504)
(113,549)	0	(113,549)
(1,436,245)	0	(1,436,245)
(16,746)	0	(16,746)
(1,077,812)	0	(1,077,812)
(61,057)	0	(61,057)
(83,812)	0	(83,812)
<u>(13,147,404)</u>	<u>0</u>	<u>(13,147,404)</u>
0	(12,888)	(12,888)
0	(4,871)	(4,871)
<u>0</u>	<u>40,013</u>	<u>40,013</u>
<u>0</u>	<u>22,254</u>	<u>22,254</u>
<u>(13,147,404)</u>	<u>22,254</u>	<u>(13,125,150)</u>
9,718,262	0	9,718,262
3,920,337	0	3,920,337
34,533	0	34,533
<u>177,079</u>	<u>7,640</u>	<u>184,719</u>
13,850,211	7,640	13,857,851
<u>(11,977)</u>	<u>11,977</u>	<u>0</u>
<u>13,838,234</u>	<u>19,617</u>	<u>13,857,851</u>
690,830	41,871	732,701
<u>12,073,990</u>	<u>1,413,784</u>	<u>13,487,774</u>
<u>\$12,764,820</u>	<u>\$1,455,655</u>	<u>\$14,220,475</u>

Polaris Career Center
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,456,210	\$180,778	\$8,636,988
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	241,244	0	241,244
Accounts Receivable	5,050	0	5,050
Interfund Receivable	1,311	0	1,311
Intergovernmental Receivable	0	63,155	63,155
Accrued Interest Receivable	9,427	0	9,427
Materials and Supplies Inventory	36,354	0	36,354
Property Taxes Receivable	9,640,654	0	9,640,654
<i>Total Assets</i>	<u>\$18,390,250</u>	<u>\$243,933</u>	<u>\$18,634,183</u>
Liabilities			
Accounts Payable	\$55,709	\$40,650	\$96,359
Accrued Wages and Benefits Payable	978,908	0	978,908
Intergovernmental Payable	156,574	4,883	161,457
Interfund Payable	0	1,311	1,311
Matured Compensated Absences Payable	82,787	0	82,787
Matured Interest Payable	0	250	250
<i>Total Liabilities</i>	<u>1,273,978</u>	<u>47,094</u>	<u>1,321,072</u>
Deferred Inflows of Resources			
Property Taxes	7,192,990	0	7,192,990
Unavailable Revenue	589,545	59,018	648,563
<i>Total Deferred Inflows of Resources</i>	<u>7,782,535</u>	<u>59,018</u>	<u>7,841,553</u>
Fund Balances			
Nonspendable	36,354	0	36,354
Restricted	0	12,675	12,675
Assigned	2,891,584	125,146	3,016,730
Unassigned (Deficit)	6,405,799	0	6,405,799
<i>Total Fund Balances</i>	<u>9,333,737</u>	<u>137,821</u>	<u>9,471,558</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$18,390,250</u>	<u>\$243,933</u>	<u>\$18,634,183</u>

See accompanying notes to the basic financial statements

Polaris Career Center
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances		\$9,471,558
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,794,649
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the funds.		
Delinquent Property Taxes	589,545	
Intergovernmental	59,018	
Total		648,563
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital Leases	(1,512,254)	
Compensated Absences	(2,637,696)	
Total		(4,149,950)
 <i>Net Position of Governmental Activities</i>		 <u><u>\$12,764,820</u></u>

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$9,827,528	\$0	\$9,827,528
Intergovernmental	3,920,337	914,955	4,835,292
Interest	34,533	0	34,533
Tuition and Fees	89,790	0	89,790
Rentals	38,026	0	38,026
Miscellaneous	177,079	0	177,079
<i>Total Revenues</i>	<u>14,087,293</u>	<u>914,955</u>	<u>15,002,248</u>
Expenditures			
Current:			
Instruction:			
Vocational	5,742,201	238,488	5,980,689
Adult/Continuing	0	243,095	243,095
Support Services:			
Pupil	1,533,811	82,453	1,616,264
Instructional Staff	1,359,419	227,482	1,586,901
Board of Education	135,109	0	135,109
Administration	870,810	6,000	876,810
Fiscal	752,076	0	752,076
Business	113,905	0	113,905
Operation and Maintenance of Plant	1,391,992	0	1,391,992
Pupil Transportation	16,913	0	16,913
Central	1,127,321	17,768	1,145,089
Extracurricular Activities	61,666	0	61,666
Capital Outlay	22,809	376,782	399,591
Debt Service:			
Principal Retirement	309,384	0	309,384
Interest and Fiscal Charges	83,812	0	83,812
<i>Total Expenditures</i>	<u>13,521,228</u>	<u>1,192,068</u>	<u>14,713,296</u>
<i>Excess of Revenues Under Expenditures</i>	<u>566,065</u>	<u>(277,113)</u>	<u>288,952</u>
Other Financing Sources (Uses)			
Transfers In	2,919	0	2,919
Transfers Out	(11,977)	0	(11,977)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,058)</u>	<u>0</u>	<u>(9,058)</u>
<i>Net Change in Fund Balances</i>	557,007	(277,113)	279,894
<i>Fund Balances Beginning of Year</i>	<u>8,776,730</u>	<u>414,934</u>	<u>9,191,664</u>
<i>Fund Balances End of Year</i>	<u><u>\$9,333,737</u></u>	<u><u>\$137,821</u></u>	<u><u>\$9,471,558</u></u>

See accompanying notes to the basic financial statements

Polaris Career Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances -Total Governmental Funds \$279,894

*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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	659,254
Current Year Depreciation	<u>(493,371)</u>

Total	165,883
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Governmental funds only report the disposal of capital assets to the extent proceeds are received
from the sale. In the statement of activities, a gain or loss is reported for each disposal. (2,919)

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

Delinquent Property Taxes	(109,266)
Intergovernmental	<u>(132,621)</u>

Total	(241,887)
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Repayment of lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position. 309,384

Some expenses reported in the statement of activities, such as compensated absences,
do not require the use of current financial resources and therefore are not reported
as expenditures in governmental funds. 180,475

Change in Net Position of Governmental Activities \$690,830

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$8,840,129	\$9,482,442	\$9,247,658	(\$234,784)
Intergovernmental	3,396,811	3,653,097	3,966,983	313,886
Interest	1,212	1,212	44,074	42,862
Tuition and Fees	2,469	2,469	89,790	87,321
Rentals	1,046	1,046	38,026	36,980
Miscellaneous	330,546	349,975	180,910	(169,065)
<i>Total Revenues</i>	<u>12,572,213</u>	<u>13,490,241</u>	<u>13,567,441</u>	<u>77,200</u>
Expenditures				
Current:				
Instruction:				
Vocational	5,941,257	6,263,835	5,690,569	573,266
Support Services:				
Pupil	1,821,362	1,783,483	1,579,844	203,639
Instructional Staff	1,455,622	1,443,571	1,345,002	98,569
Board of Education	262,808	262,808	184,348	78,460
Administration	957,939	958,539	943,801	14,738
Fiscal	830,268	830,268	767,579	62,689
Business	131,542	120,542	117,530	3,012
Operation and Maintenance of Plant	1,457,432	1,468,432	1,467,614	818
Pupil Transportation	18,200	18,200	18,108	92
Central	1,268,610	1,279,110	1,180,231	98,879
Extracurricular Activities	66,006	66,006	62,618	3,388
Capital Outlay	42,260	42,260	29,809	12,451
Debt Service				
Principal	309,384	309,384	309,384	0
Interest	83,812	83,812	83,812	0
<i>Total Expenditures</i>	<u>14,646,502</u>	<u>14,930,250</u>	<u>13,780,249</u>	<u>1,150,001</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,074,289)</u>	<u>(1,440,009)</u>	<u>(212,808)</u>	<u>1,227,201</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,000	3,000	2,919	(81)
Transfers Out	(50,000)	(50,000)	(11,977)	38,023
Advances In	130,747	130,747	125,404	(5,343)
Advances Out	(575,000)	(575,000)	(1,311)	573,689
<i>Total Other Financing Sources (Uses)</i>	<u>(491,253)</u>	<u>(491,253)</u>	<u>115,035</u>	<u>606,288</u>
<i>Net Change in Fund Balances</i>	<u>(2,565,542)</u>	<u>(1,931,262)</u>	<u>(97,773)</u>	<u>1,833,489</u>
<i>Fund Balance Beginning of Year</i>	<u>8,374,527</u>	<u>8,374,527</u>	<u>8,374,527</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>226,918</u>	<u>226,918</u>	<u>226,918</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,035,903</u></u>	<u><u>\$6,670,183</u></u>	<u><u>\$8,503,672</u></u>	<u><u>\$1,833,489</u></u>

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Adult and Community Education	Non-Major Enterprise Funds	Total
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,444,217	\$179,939	\$1,624,156
Accounts Receivable	3,509	528	4,037
<i>Total Current Assets</i>	1,447,726	180,467	1,628,193
<i>Noncurrent Assets</i>			
Depreciable Capital Assets, Net	31,163	10,072	41,235
<i>Total Assets</i>	1,478,889	190,539	1,669,428
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	2,418	74	2,492
Accrued Wages and Benefits Payable	66,382	0	66,382
Intergovernmental Payable	10,802	200	11,002
Compensated Absences Payable	123,083	0	123,083
<i>Total Current Liabilities</i>	202,685	274	202,959
<i>Long-Term Liabilities</i>			
Compensated Absences Payable	10,814	0	10,814
<i>Total Liabilities</i>	213,499	274	213,773
Net Position			
Investment in Capital Assets	31,163	10,072	41,235
Unrestricted	1,234,227	180,193	1,414,420
<i>Total Net Position</i>	\$1,265,390	\$190,265	1,455,655

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Adult and Community Education	Nonmajor Enterprise Funds	Totals
Operating Revenues			
Charges for Services	\$0	\$256,495	\$256,495
Tuition and Fees	2,521,914	9,580	2,531,494
Sales	0	93,896	93,896
Miscellaneous	0	5,932	5,932
<i>Total Operating Revenues</i>	<u>2,521,914</u>	<u>365,903</u>	<u>2,887,817</u>
Operating Expenses			
Salaries	1,579,556	3,556	1,583,112
Fringe Benefits	445,639	607	446,246
Purchased Services	249,126	0	249,126
Materials and Supplies	320,144	365,317	685,461
Depreciation	10,304	2,799	13,103
Other	250,600	5,451	256,051
<i>Total Operating Expenses</i>	<u>2,855,369</u>	<u>377,730</u>	<u>3,233,099</u>
<i>Operating Income (Loss)</i>	<u>(333,455)</u>	<u>(11,827)</u>	<u>(345,282)</u>
Non-Operating Revenues			
Federal and State Subsidies	373,468	0	373,468
Other	0	1,708	1,708
<i>Total Non-Operating Revenues</i>	<u>373,468</u>	<u>1,708</u>	<u>375,176</u>
<i>Income (Loss) Before Transfers</i>	40,013	(10,119)	29,894
Transfers In	0	11,977	11,977
<i>Change in Net Position</i>	40,013	1,858	41,871
<i>Net Position Beginning of Year</i>	<u>1,225,377</u>	<u>188,407</u>	<u>1,413,784</u>
<i>Net Position End of Year</i>	<u><u>\$1,265,390</u></u>	<u><u>\$190,265</u></u>	<u><u>\$1,455,655</u></u>

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Adult and Community Education</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,520,127	\$360,165	\$2,880,292
Cash Received from Other Operating Revenues	0	5,048	5,048
Cash Payments to Suppliers for Goods and Services	(577,352)	(366,554)	(943,906)
Cash Payments to Employees for Services	(1,550,942)	(3,556)	(1,554,498)
Cash Payments for Employee Benefits	(442,627)	(554)	(443,181)
Cash Payments for Other Operating Expenses	(250,600)	(5,451)	(256,051)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(301,394)</u>	<u>(10,902)</u>	<u>(312,296)</u>
Cash Flows from Noncapital Financing Activities			
Federal and State Subsidies	373,468	0	373,468
Other	0	1,708	1,708
Transfers In	0	11,977	11,977
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>373,468</u>	<u>13,685</u>	<u>387,153</u>
<i>Net Increase in Cash and Cash Equivalents</i>	72,074	2,783	74,857
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,372,143</u>	<u>177,156</u>	<u>1,549,299</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,444,217</u>	<u>\$179,939</u>	<u>\$1,624,156</u>

(continued)

Polaris Career Center
Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Adult and Community Education</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Loss</i>	(\$333,455)	(\$11,827)	(\$345,282)
<i>Adjustments:</i>			
Depreciation	10,304	2,799	13,103
<i>(Increase)/Decrease in Assets:</i>			
Accounts Receivable	(1,787)	(15)	(1,802)
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	(2,517)	(1,912)	(4,429)
Accrued Wages and Benefits Payable	30,230	0	30,230
Compensated Absences Payable	(5,128)	0	(5,128)
Intergovernmental Payable	959	53	1,012
<i>Total Adjustments</i>	32,061	925	32,986
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$301,394)	(\$10,902)	(\$312,296)

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Special Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,204	\$142,061
Liabilities		
Due to Others	0	\$107,954
Due to Students	0	34,107
<i>Total Liabilities</i>	0	\$142,061
Net Position		
Held in Trust for Scholarships	\$12,204	

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	<u>Special Trust</u>
Additions	
Contributions and Donations	\$12,300
Deductions	
Scholarships Awarded	<u>2,217</u>
<i>Change in Net Position</i>	10,083
<i>Net Position Beginning of Year</i>	<u>2,121</u>
<i>Net Position End of Year</i>	<u><u>\$12,204</u></u>

See accompanying notes to the basic financial statements

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 Center as defined by Section 3311.18 of the Ohio Revised Code. The Center operates under a Board of Education consisting of seven members which is comprised of one board member from each of the elected boards of the participating Centers. Members serve a two year term except for one rotating member picked by the member Centers to serve a one year term. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City School District, Olmsted Falls City School District, and Strongsville City School District are the member districts. The Center employs 10 administrative and supervisory personnel, 63 certified employees and 58 non-certificated employees who provide services to 951 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the Center is financially accountable. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. There are no component units of the Polaris Career Center.

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

The statement of net position 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 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. Fiduciary funds are reported by type.

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Center's major governmental fund:

General Fund - The general fund is used to account and report for all financial resources, except those required to be accounted for and reported 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, committed or assigned to a particular purpose.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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 uniform school supply operations, customer service operations, and adult and community education operations. The following is the Center's major business-type fund:

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

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

Measurement Focus

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

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 and deferred inflows of resources 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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Center finances and meets the cash flow needs of its proprietary funds.

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

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 inflows/outflows of resources 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Center has no deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Center, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Budgetary Process

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

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

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

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 2014, investments were limited to Federal Farm Credit Bureau, Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage, repurchase agreement and STAR Ohio. Nonparticipating investment contracts such as the repurchase agreement are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$34,533 which includes \$703 assigned from other Center funds.

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

Polaris Career Center
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Restricted Assets

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

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.

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 position 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 position and in the fund.

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

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

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

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 position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Polaris Career Center
Notes to the Basic Financial Statements
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Compensated Absences

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

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

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

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

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, and special termination benefits 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.

Net Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes include resources restricted for preschool.

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

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Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Center Board of Education. In the general fund, assigned amounts represents intended uses established by the Center Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 uniform school supplies, customer services and adult education. 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.

Polaris Career Center
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Internal Activity

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

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

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 – Change in Accounting Principles

For fiscal year 2014, the Polaris Career Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 69, “Government Combinations and Disposals of Government Operations”, and Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. The implementation of this statement did not result in any change in the Center’s financial statement.

GASB Statement No. 70 provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations. The implementation of this statement did not result in any change in the Center’s financial statement.

Note 4 - 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.

Polaris Career Center
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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 restricted, committed, or assigned fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$557,007
Net Adjustment for Revenue Accruals	(394,448)
Net Adjustment for Expenditure Accruals	(66,550)
Encumbrances	<u>(193,782)</u>
Budget Basis	<u><u>(\$97,773)</u></u>

Note 5 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,163,310 of the Center's bank balance of \$6,949,582 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

Investments

Investments are reported at fair value. As of June 30, 2014, the Center had the following investments:

Investment Type	Fair Value	Maturity		
		Less Than 1 Year	1-2 Years	2-5 Years
Federal Home Loan Bank	\$987,505	175,000	204,667	607,838
Federal National Mortgage Association Notes	758,087	0	0	758,087
Repurchase Agreement	660,000	660,000	0	0
Federal Farm Credit Bank Notes	514,640	0	514,640	0
US Treasury Notes	509,987	0	509,987	0
Federal Home Loan Mortgage Corporation Notes	339,715	0	0	339,715
STAROhio	35,261	35,261	0	0
Total Investments	\$3,805,195	\$870,261	\$1,229,294	\$1,705,640

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Interest Rate Risk State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Center, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily. The Center's investment policy also states that the Center will not invest in any eligible security maturing more than two years from the date of settlement if it bears interest at a variable rate.

Credit Risk The securities underlying the repurchase agreement had a rating of AAA by Fitch. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that addresses credit risk.

Note 6 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Inventory	\$36,354	\$0	\$36,354
<i>Restricted for</i>			
Public School Preschool	0	168	168
Vocational Education	0	181	181
Reducing Class Size	0	210	210
State Grants	0	12,116	12,116
<i>Total Restricted</i>	0	12,675	12,675
<i>Assigned to</i>			
Other Purposes	2,891,584	0	2,891,584
Permanent Improvements	0	125,146	125,146
<i>Total Assigned</i>	2,891,584	125,146	3,016,730
<i>Unassigned (Deficit)</i>	6,405,799	0	6,405,799
<i>Total Fund Balances</i>	\$9,333,737	\$137,821	\$9,471,558

Note 7 - Property Taxes

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

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Property taxes include amounts levied against all real and public utility located in the Center. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2014 represents collections of calendar year 2013 taxes. Public utility real taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Center receives property taxes from Cuyahoga and Lorain Counties. The County Fiscal Officer and County Auditor periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 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 and public utility property taxes which are measurable as of June 30, 2014 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 inflows of resources – property taxes.

The amount available as an advance in the general fund was \$1,858,119 at June 30, 2014 and \$1,278,249 at June 30, 2013.

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 recorded as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential/Agricultural	\$3,188,628,210	68.79 %	\$3,193,002,030	68.50 %
Commercial/Industrial	1,340,685,460	28.92	1,345,479,470	28.86
Tangible Personal Property:				
Public Utility	106,028,680	2.29	123,301,150	2.64
Total	<u>\$4,635,342,350</u>	<u>100.00 %</u>	<u>\$4,661,782,650</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$2.40		\$2.40	

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Note 8 – Receivables

Receivables at June 30, 2014, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables except for a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

At June 30, 2014 the Center had an intergovernmental receivable of \$63,155 in the adult basic education special revenue fund for the ABLE and EL Civics instructional grants.

Note 9 - Risk Management

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 2014, the Center contracted with Travelers Insurance Company for the following insurance:

<u>Type</u>	<u>Coverage</u>
General Liability:	
Bodily Injury (Aggregate Limit)	\$3,000,000
General Annual Aggregate	3,000,000
Sexual Misconduct and Molestation Liability	1,000,000
Medical Expense Limit	5,000
Property	
Blanket Building and Contents	44,451,900
Automobile Liability:	
Hired and Non-owned Liability	1,000,000
Medical Payments	5,000
Uninsured/Underinsured Motorist	1,000,000

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

Bonding

All employees, including Board President and Superintendent, are covered with surety bonds for \$50,000. These bonds are with Argonaut Insurance Group. The Treasurer is also covered by a surety bond in the amount of \$20,000. This bond is with Travelers Casualty and Surety Company.

Workers' Compensation

For fiscal year 2014, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its

Polaris Career Center
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workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

Employee Health Benefits

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

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

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Reductions	Balance 6/30/14
Governmental Activities:				
Capital assets not being depreciated				
Land	\$261,490	\$0	\$0	\$261,490
Capital assets being depreciated				
Buildings and Improvements	14,783,292	0	0	14,783,292
Furniture and Equipment	5,800,665	659,254	(3,980)	6,455,939
Vehicles	274,954	0	0	274,954
Total capital assets being depreciated	20,858,911	659,254	(3,980)	21,514,185
Accumulated depreciation				
Buildings and Improvements	(9,618,475)	(315,865)	0	(9,934,340)
Furniture and Equipment	(4,595,287)	(177,506)	1,061	(4,771,732)
Vehicles	(274,954)	0	0	(274,954)
Total accumulated depreciation	(14,488,716)	(493,371) *	1,061	(14,981,026)
Capital assets being depreciated, net	6,370,195	165,883	(2,919)	6,533,159
Governmental activities capital assets, net	\$6,631,685	\$165,883	(\$2,919)	\$6,794,649

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Balance 6/30/13	Additions	Reductions	Balance 6/30/14
Business-type activities:				
Equipment	\$517,132	\$0	(\$1,210)	\$515,922
Accumulated depreciation	(462,794)	(13,103) **	1,210	(474,687)
Business-type activities capital assets, net	<u>\$54,338</u>	<u>(\$13,103)</u>	<u>\$0</u>	<u>\$41,235</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$452,574
Support Services:	
Pupil	5,771
Instructional Staff	6,747
Administration	586
Fiscal	573
Operation and Maintenance of Plant	10,018
Central	<u>17,102</u>
Total Depreciation Expense	<u>\$493,371</u>

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

Adult and Community Education	\$10,304
Rotary - Special Services	<u>2,799</u>
Total Depreciation Expense	<u>\$13,103</u>

Note 11 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$380,162, \$426,346, and \$411,273, respectively. For 2014, 100 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$880,565 and \$27,994 for the fiscal year ended June 30, 2014, \$912,041 and \$25,992

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

for the fiscal year ended June 30, 2013, and \$953,065 and \$24,337 for the fiscal year ended June 30, 2012. For fiscal year 2014, 100 percent has been contributed for the DB plan and 3.08 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$19,307 made by the Center and \$15,170 made by the plan members. In addition, member contributions of \$21,995 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 12 - Postemployment Benefits

School Employees Retirement System

Plan Description – The Center participates in two cost-sharing multiple-employer defined benefit OPEB plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250. During fiscal year 2014, the Center paid \$15,387 in surcharge.

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

The Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$19,578, \$12,895, and \$53,114, respectively. For 2014, 100 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$22,451, \$24,084, and \$24,288 respectively. For 2014, 100 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$69,889, \$74,073, and \$75,185 respectively. For 2014, 88.33 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2013 and 2012.

Note 13 - Employee Benefits

Vacation Leave

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

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

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

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.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Retirement Severance Pay

Certified Employees

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

Classified Employees

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

Note 14 - Long-term Obligations

The changes in the Center's long-term obligations during fiscal year 2014 were as follows:

	Outstanding 6/30/13	Additions	Reductions	Outstanding 6/30/14	Amount Due in One Year
Governmental Activities					
Compensated Absences	\$1,692,729	\$778,546	\$959,021	\$1,512,254	\$1,050,810
Capital Lease	2,947,080	0	309,384	2,637,696	318,484
<i>Total Governmental Activities</i>	<u>\$4,639,809</u>	<u>\$778,546</u>	<u>\$1,268,405</u>	<u>\$4,149,950</u>	<u>\$1,369,294</u>
Business-Type Activities					
Compensated Absences	<u>\$139,025</u>	<u>\$92,785</u>	<u>\$97,913</u>	<u>\$133,897</u>	<u>\$123,083</u>

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

The Center's overall legal debt margin was \$419,560,439 with an unvoted debt margin of \$4,661,783 at June 30, 2014.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Contingencies

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, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

Note 16 - Jointly Governed Organization

Ohio Schools Council Association

The Ohio Schools Council (Council) is a jointly governed organization among 161 School Districts and Centers. The jointly governed organization was created by School Districts and Centers for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to this representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2014, the Center paid \$767 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Center participates in the natural gas purchase program. This program allows the Center to purchase natural gas at reduced rates. Compass Energy served as the natural gas supplier and program manager from October 1, 2010 through March 31, 2013. Compass Energy has been selected to continue as the supplier and program manager for the period from April 1, 2013 through March 31, 2016. There are currently 251 participants in the program including the Center. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 17 – Public Entity Risk Pools

Ohio School Boards Association Workers’ Compensation Group Rating Program

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

Suburban Health Consortium

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 Center (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 Centers/centers, based on the established premiums for the insurance plans. Each Center reserves the right to terminate the plan in whole or in part at any time for their Center. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in with the terms of the contract.

Note 18 - Set-Asides

The Center is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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. This amount must be carried forward to be used for the same purpose in future years. In prior years, the Center was also required to set aside money for budget stabilization. At June 30, 2014, 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 capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2013	\$241,244	\$0
Current Year Set-aside Requirement	0	97,887
Qualifying Disbursements	0	(179,175)
Total	\$241,244	(\$81,288)
Set-aside Balance Carried Forward to Future Fiscal Years	\$241,244	\$0
Set-aside Reserve Balance as of June 30, 2014	\$241,244	\$0

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Although the Center had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirements of future years. The total balance for the two set-asides at the end of the fiscal year was \$241,244.

Note 19 - Interfund Transactions

Interfund Transfers

The transfers from the general fund to the uniform school supplies fund of \$11,977, was made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund Balances

During fiscal year 2014, the general fund advanced \$1,311 to the adult basic education special revenue fund to cover costs. The advance is expected to be repaid within one year.

Note 20 – Capital Lease

In 2012, the Center entered into a capital lease for the House Bill 264 Project. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows:

Buildings and Improvement	\$1,982,400
Less: Accumulated Depreciation:	<u>(707,600)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u><u>\$1,274,800</u></u>

The lease agreement provide for minimum, annual lease payments as follows:

	Governmental Activities
2015	\$393,196
2016	393,196
2017	393,196
2018	393,196
2019	<u>1,325,522</u>
Total Minimum Lease Payments	2,898,306
Less: Amounts Representing Interest	<u>(260,610)</u>
Present Value of Minimum Lease Payments	<u><u>\$2,637,696</u></u>

Polaris Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to ensure effective budget control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General fund	\$193,782
Other Governmental funds	<u>46,788</u>
	<u><u>\$240,570</u></u>

POLARIS CAREER CENTER
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster						
School Breakfast Program	2014	10.553	5,785		5,785	
National School Lunch Program	2013	10.555	167		167	
National School Lunch Program	2014	10.555	13,124	4,506	13,124	4,506
Total Nutrition Cluster			<u>19,076</u>	<u>4,506</u>	<u>19,076</u>	<u>4,506</u>
Total U.S. Department of Agriculture			<u>19,076</u>	<u>4,506</u>	<u>19,076</u>	<u>4,506</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Direct Assistance Programs</i>						
Student Financial Assistance Cluster						
Federal Pell Grant Program	2009	84.063	1,100		1,100	
Federal Pell Grant Program	2010	84.063	10,200		10,200	
Federal Pell Grant Program	2012	84.063	16,889		16,889	
Federal Pell Grant Program	2013	84.063	(2,417)		1,283	
Federal Pell Grant Program	2014	84.063	610,979		610,979	
Subtotal Federal Pell Grant Program			<u>636,751</u>	-	<u>640,451</u>	-
Federal Direct Student Loans	2013	84.268	89,191		95,769	
Federal Direct Student Loans	2014	84.268	890,448		890,448	
Subtotal Direct Student Loans			<u>979,639</u>	-	<u>986,217</u>	-
Total Student Financial Assistance Cluster			1,616,390	-	1,626,668	-
<i>Passed Through Ohio Department of Education</i>						
Improving Teacher Quality, Title II-A	2014	84.367	2,830		2,620	
Total Improving Teacher Quality, Title II-A			<u>2,830</u>	-	<u>2,620</u>	-
Adult Education - Basic Grants to States	2013	84.002	105,052		18,474	
Adult Education - Basic Grants to States	2014	84.002	417,091		400,609	
Subtotal Adult Education Passed Through Ohio Department of Education			<u>522,143</u>	-	<u>419,083</u>	-
<i>Passed Through Cuyahoga Community College</i>						
Adult Education - Basic Grants to States	2014	84.002	17,915		(241)	
Subtotal Adult Education Passed Through Cuyahoga Community College			<u>17,915</u>	-	<u>(241)</u>	-
Total Adult Education - Basic Grants to States			540,058	-	418,842	-
<i>Passed Through Ohio Department of Education</i>						
Career and Technical Education - Basic Grants to States	2013	84.048	-		200	
Career and Technical Education - Basic Grants to States	2014	84.048	310,648		308,303	
Subtotal Career and Technical Education Passed Through Ohio Department of Education			<u>310,648</u>	-	<u>308,503</u>	-
<i>Passed Through Lorain County Joint Vocational School</i>						
Career and Technical Education - Basic Grants to States	2014	84.048	70,768		69,793	
Subtotal Career and Technical Education Passed Through Lorain County Joint Vocational School			<u>70,768</u>	-	<u>69,793</u>	-
Total Career and Technical Education - Basic Grants to States			381,416	-	378,296	-
Total U.S. Department of Education			<u>2,540,694</u>	<u>-</u>	<u>2,426,426</u>	<u>-</u>
Total Federal Financial Assistance			<u>2,559,770</u>	<u>4,506</u>	<u>2,445,502</u>	<u>4,506</u>

The accompanying notes are an integral part of this schedule.

**POLARIS CAREER CENTER
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Polaris Career Center (the Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The Center reports commodities consumed on the Schedule at the entitlement value. The Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polaris Career Center, Cuyahoga County, (the Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

January 6, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Polaris Career Center's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Polaris Career Center's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal programs.

Management's Responsibility

The Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for each of the Center's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Center's major programs. However, our audit does not provide a legal determination of the Center's compliance.

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in Findings 2014-001 and 2014-002 in the accompanying schedule of findings, the Center did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-001	84.063 & 84.268	Student Financial Assistance Cluster	Cash Management
2014-002	84.268	Student Financial Assistance Cluster	Special Tests and Provisions

Compliance with these requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to this program.

Qualified Opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Student Financial Assistance Cluster* paragraph, the Polaris Career Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its Student Financial Assistance Cluster for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Polaris Career Center complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

The Center's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the Center's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected

and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2014-001 and 2014-002 to be material weaknesses.

The Center's response to our internal control over compliance findings is described in the accompanying schedule of findings and corrective action plan. We did not audit the Center's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 6, 2015

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**POLARIS CAREER CENTER
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control 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 weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Student Financial Assistance Cluster (Reporting and Special Tests & Provisions). Unmodified – All other.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster – Federal Pell Grant CFDA# 84.063 and Federal Direct Student Loans CFDA# 84.268 Adult Education Basic Grants to States CFDA# 84.002
(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 FOR FEDERAL AWARDS

1. 34CFR§668.166 Student Financial Assistance Federal Program Cash Management Requirements

Finding Number	2014-001
CFDA Title and Number	CFDA# 84.063 Federal Pell Grant CFDA# 84.268 Federal Direct Student Loans
Federal Award Number / Year	2014
Federal Agency	US Department of Education
Pass-Through Agency	N/A Direct

NONCOMPLIANCE AND MATERIAL WEAKNESS

34CFR§668.166(a)(1) states in part "The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution—

(i) Received those funds from the Secretary"

The Career Center did not credit student accounts in their Lumens system within three business days of receipt of the Student Financial Assistance federal program funds for 25 out of 25 students tested.

Failure to credit students' accounts within the prescribed federal program requirements can result in 34CFR§668.166(c) federal program consequences including:

- "(1) Requiring the institution to reimburse the Secretary for the costs the Secretary incurred in providing that excess cash to the institution; and
- (2) Providing funds to the institution under the reimbursement payment method or cash monitoring payment method described in §668.163(d) and (e), respectively."

We recommend the Career Center implement policies and procedures to request Student Financial Assistance federal program funds not to exceed an amount which can be credited to Career Center Lumens tuition software program students' accounts within three business days of receipt of the funds.

2. 34CFR§668.164 Student Financial Assistance Federal Program Disbursing Funds Requirements

Finding Number	2014-002
CFDA Title and Number	CFDA# 84.268 Federal Direct Student Loans
Federal Award Number / Year	2014
Federal Agency	US Department of Education
Pass-Through Agency	N/A Direct

NONCOMPLIANCE AND MATERIAL WEAKNESS

34CFR§668.164(a)(1) states: "Except as provided in paragraph (a)(2) of this section, an institution makes a disbursement of title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with—

- (i) Funds received from the Secretary;
- (ii) Funds received from a lender under the FFEL Programs; or
- (iii) Institutional funds used in advance of receiving title IV, HEA program funds."

34CFR§685.301(a)(1) states: "A school participating in the Direct Loan Program must ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school must originate a Direct Loan while the student meets the borrower eligibility requirements of §685.200. Except as provided in 34 CFR part 668, subpart E, a school may rely in good faith upon statements made by the borrower and, in the case of a parent Direct PLUS Loan borrower, the student and the parent borrower.

(2) A school must provide to the Secretary borrower information that includes but is not limited to—

- (i) The borrower's eligibility for a loan, as determined in accordance with §685.200 and §685.203;
- (ii) The student's loan amount; and
- (iii) The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds, as determined in accordance with §685.303(d)."

Additionally, in 2014 the US Department of Education's Office of Federal Student Aid issued an electronic announcement on their Information for Financial Aid Professionals (IFAP) website titled Direct Loan Processing Information - Accurately Reporting Direct Loan Disbursement Dates. This announcement reminded schools of the importance of accurately reporting Direct Loan actual disbursement dates to the Common Origination and Disbursement (COD) system and that if the date when Direct Loan funds are made available to a borrower (the actual disbursement date) is different than the original anticipated date, it is critical for the school to ensure that the actual disbursement date is reported. The anticipated disbursement date is the date that a school expects to disburse Direct Loan funds. The actual disbursement date is the date the funds are made available to the borrower. In many cases, the anticipated disbursement date that a school initially reports to the COD system may not be the same as the actual disbursement date.

The Career Center did not report the actual disbursement date to the U.S. Department of Education via the COD system for 24 out of 24 Direct Loan Program students tested.

Failure to accurately report Direct Loan disbursement dates resulted in improper interest accrual for Direct Loan Program Unsubsidized Loan Borrowers. If the correct actual disbursement date is not reported, the borrower may not have the full 120 days from the date the loan funds were made available to return the disbursement without having to pay interest and loan fee charges, the origination fee or interest rate that is applied to a loan may differ from the fee or rate that is required under the law and regulations for loans disbursed on or after a particular date.

We recommend the Career Center implement policies and procedures to reconcile the actual disbursement date as denoted in the Career Center tuition software program to the actual disbursement date reported to the U.S. Department of Education via the Common Origination and Disbursement (COD) system.

Official's Response: Both weaknesses have been investigated, discussed and have been internally corrected in our Adult Education Department.

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**POLARIS CAREER CENTER
 CUYAHOGA COUNTY
 CORRECTIVE ACTION PLAN
 OMB CIRCULAR A -133 § .315 (c)
 JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001 2014-002	We have reviewed the process requirements per the Federal Student Loan guidelines and have restructured our internal communications and policies to reflect the timing deadlines for entering data, reporting and fund distribution to students. The employees all know the 3, 7 and 14 day deadlines and what they impact and are now strictly adhering to those deadlines to avoid issues in the future.	New processes in place	Adult Education Department

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Dave Yost • Auditor of State

POLARIS CAREER CENTER

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2015**