

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

**Polaris Joint Vocational School District
General Purpose Financial Statements
Year Ended June 30, 1999**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Polaris Joint Vocational School District, Cuyahoga County, Ohio (the "District") as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Polaris Joint Vocational School District, Cuyahoga County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a printed name and title.

JIM PETRO
Auditor of State

November 30, 1999

**Polaris Joint Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type Trust and Agency	Account Groups			Totals (Memorandum) (Only)
	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service		General Fixed Assets	General Long Term Debt		
\$ 3,425,020	138,200	1,375	398,026	542,260	753,880	76,278	0	0	0	5,335,039
147,520	0	0	0	0	0	0	0	0	0	147,520
7,659,752	0	0	0	0	0	0	0	0	0	7,659,752
184,257	0	0	0	0	0	0	0	0	0	184,257
0	0	0	0	0	0	3,962	0	0	0	3,962
91,738	82,733	0	0	42,210	0	0	0	0	0	216,681
41,206	0	0	0	13,555	1,094	40	0	0	0	55,892
32,557	0	0	0	747	0	0	0	0	0	33,304
0	0	0	0	5,579	0	0	0	0	0	5,579
0	0	0	0	760,557	0	0	17,739,627	0	0	18,500,184
0	0	0	(354,846)	0	0	0	0	0	0	(354,846)
0	0	0	0	0	0	0	0	617,561	0	617,561
\$ 11,582,050	220,933	1,375	398,026	1,010,062	754,971	80,280	17,739,627	617,561	\$ 32,404,885	

Assets and Other Debits:

Equity in Pooled Cash and Investments
 Restricted Assets
 Taxes Receivable
 Interfund Receivables
 Due from Other Funds
 Intergovernmental Receivables
 Accounts Receivable
 Supply Inventory
 Inventory for Resale
 Property, Plant & Equipment
 Accumulated Depreciation, Where Applicable
 Amount to be Provided for Retirement of GLTD

Total Assets and Other Debits

**Polaris Joint Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 1999**

	Governmental Fund Types			Proprietary Fund Type			Fiduciary Fund Type			Account Groups			Totals (Memorandum) (Only)
	General	Special		Capital Project	Enterprise	Internal		Trust and Agency	General	General		Totals (Memorandum) (Only)	
		Revenue	Debt			Service	Service			Fixed Assets	Long Term Debt		
Liabilities:													
Interfund Payables	\$ 0	121,285	0	0	62,972	0	0	0	0	0	0	0	\$ 184,257
Due to Other Funds	3,714	51	0	0	197	0	0	0	0	0	0	0	3,962
Intergovernmental Payables	98,764	1,302	0	0	5,245	0	25,702	0	0	0	0	0	131,013
Accounts Payable	97,255	14,569	0	0	52,672	0	0	0	0	0	0	0	164,496
Matured Bonds Payable	0	0	1,375	0	0	0	0	0	0	0	0	0	1,375
Accrued Salaries and Benefits	747,443	9,709	0	0	54,866	0	0	0	0	0	0	0	812,018
Claims Payable	0	0	0	0	1,224	0	90,708	0	0	0	0	0	90,708
Deferred Revenue	6,839,664	0	0	0	0	0	0	0	0	0	0	0	6,840,888
Lease Obligations Payable	0	0	0	0	0	0	0	53,406	0	0	0	0	53,406
Due to Others	0	0	0	0	0	0	0	0	293,009	0	0	0	293,009
Compensated Absences Payable	89,726	0	0	0	79,407	0	0	0	0	0	0	0	324,552
Total Liabilities	7,876,566	146,916	1,375	0	256,583	90,708	79,108	0	617,561	0	0	0	9,668,817
Fund Equity and Other Credits:													
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	17,739,627	0	0	0	17,739,627
Retained Earnings	0	0	0	0	753,479	664,263	0	0	0	0	0	0	1,417,742
Fund Balances:													
Reserved for Budget Stabilization	147,520	0	0	0	0	0	0	0	0	0	0	0	147,520
Reserved for Supply Inventory	32,557	0	0	0	0	0	0	0	0	0	0	0	32,557
Reserved for Encumbrances	183,454	49,398	0	0	0	0	0	0	0	0	0	0	232,852
Reserved for Property Tax	820,088	0	0	0	0	0	0	0	0	0	0	0	820,088
Unreserved Fund Balance	2,521,865	24,619	0	0	398,026	0	1,172	0	0	0	0	0	2,945,682
Total Fund Balances	3,705,484	74,017	0	0	398,026	0	1,172	0	0	0	0	0	4,178,699
Total Fund Balances/Retained Earnings and Other Credits	3,705,484	74,017	0	0	753,479	664,263	1,172	0	17,739,627	0	0	0	23,336,068
Total Liabilities, Fund Equity, and Other Credits	\$ 11,582,050	220,933	1,375	0	398,026	1,010,062	754,971	80,280	17,739,627	617,561	\$ 32,404,885	\$ 32,404,885	

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Project	Fund Types Expendable Trust Funds	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 7,559,524	0	0	0	\$ 7,559,524
Tuition	346,492	0	0	0	346,492
Earnings on Investments	291,471	0	0	0	291,471
Miscellaneous	144,137	862	0	144,035	289,034
Revenue from State Sources					
Unrestricted Grants-in-Aid	3,112,818	0	0	0	3,112,818
Restricted Grants-in-Aid	0	196,635	0	0	196,635
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	1,684,372	0	0	1,684,372
Total Revenues	<u>11,454,442</u>	<u>1,881,869</u>	<u>0</u>	<u>144,035</u>	<u>13,480,346</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	415,739	72,493	0	0	488,232
Vocational	3,771,776	128,023	0	0	3,899,799
Adult/Continuing	0	17,336	0	0	17,336
Supporting Services:					
Pupils	1,272,260	321,935	0	250	1,594,445
Instructional Staff	599,715	52,204	0	0	651,919
Board of Education	55,868	0	0	0	55,868
Administration	855,454	28,399	0	0	883,853
Fiscal Services	418,853	0	0	0	418,853
Business	192,704	0	0	0	192,704
Operation & Maintenance-Plant	1,467,992	0	0	0	1,467,992
Pupil Transportation	60,235	0	0	0	60,235
Central	412,932	128,924	0	0	541,856
Operation of Non-Instructional Services					
Community Services	0	86,451	0	0	86,451
Other Non-Instructional Services	0	0	0	120	120
Extracurricular Activities:					
Occupation Oriented Activities	2,897	9,538	0	0	12,435
Co-Curricular Activities	9,638	0	0	0	9,638
Capital Outlay:					
Architecture & Engineering	11,638	0	0	0	11,638
Building Improvement	184,392	0	0	0	184,392
Other Facility Acquisition & Construction	64,597	0	0	0	64,597
Debt Service:					
Repayment of Debt	0	0	0	0	0
Total Expenditures	<u>9,796,690</u>	<u>845,303</u>	<u>0</u>	<u>370</u>	<u>10,642,363</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,657,752	1,036,566	0	143,665	2,837,983
Other Financing Sources (Uses):					
Other Financing Sources					
Sale & Loss of Assets	4,800	0	0	0	4,800
Transfers-In	0	50,047	0	208	50,255
Refund of Prior Year Expenditures	2,913	0	0	0	2,913
Other Financing Uses					
Transfers-Out	(99,550)	0	0	(336,873)	(436,423)
Pass Through Payments	0	(947,368)	0	0	(947,368)
Refund of Taxes Collected	(497,679)	0	0	0	(497,679)
Net Other Financing Sources and (Uses)	<u>(589,516)</u>	<u>(897,321)</u>	<u>0</u>	<u>(336,665)</u>	<u>(1,823,502)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	1,068,236	139,245	0	(193,000)	1,014,481
Increase Supply Inventory	(4,189)	0	0	0	(4,189)
Beginning Fund Balance	2,641,437	(65,228)	398,026	194,172	3,168,407
Ending Fund Balance	<u>\$ 3,705,484</u>	<u>74,017</u>	<u>398,026</u>	<u>1,172</u>	<u>\$ 4,178,699</u>

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	7,904,457	7,091,926	(812,531)	0	0	\$ 0
Tuition	264,978	264,978	0	0	0	0
Earnings on Investment	294,596	294,596	0	0	0	0
Miscellaneous	143,910	143,910	0	862	862	0
State Unrestricted Grants-in-Aid	4,271,392	3,112,818	(1,158,574)	0	0	0
State Restricted Grants-in-Aid	0	0	0	201,821	201,821	0
Federal Restricted Grants-in-Aid	0	0	0	1,656,661	1,601,638	(55,023)
Total Revenues	12,879,333	10,908,228	(1,971,105)	1,859,344	1,804,321	(55,023)
Expenditures:						
Regular Instruction	457,115	453,224	3,891	72,493	72,493	0
Vocational Instruction	3,749,096	3,675,447	73,649	127,346	127,346	0
Adult/Continuing Instruction	0	0	0	22,522	22,522	0
Support Services-Pupils	1,303,225	1,249,691	53,534	341,047	327,015	14,032
Support Services-Instructional Staff	622,347	602,261	20,086	99,803	62,279	37,524
Support Services-Board of Education	123,012	71,741	51,271	0	0	0
Support Services-Administration	862,951	836,705	26,246	48,731	27,829	20,902
Fiscal Services	427,388	422,382	5,006	0	0	0
Support Services-Business	226,824	197,536	29,288	0	0	0
Operation & Maintenance-Plant	1,620,450	1,516,127	104,323	0	0	0
Support Services-Transportation	71,186	60,458	10,728	0	0	0
Support Services-Central	605,606	457,721	147,885	177,503	161,035	16,468
Community Services	0	0	0	85,219	85,219	0
Other Operational Non Instructional	0	0	0	10,724	10,293	431
Occupation Oriented Activities	4,000	2,897	1,103	0	0	0
Co-Curricular Activities	15,240	9,638	5,602	0	0	0
Site Improvement	75,000	19,234	55,766	0	0	0
Architecture & Engineering	24,638	16,638	8,000	0	0	0
Building Improvement	237,245	256,196	(18,951)	0	0	0
Other Acquisition & Construction	73,801	73,801	0	0	0	0
Total Expenditures	10,499,124	9,921,697	577,427	985,388	896,031	89,357
Excess of Revenues Over (Under) Expenditures	2,380,209	986,531	(1,393,678)	873,956	908,290	34,334
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	4,800	4,800	0	0	0
Transfer-In	0	0	0	0	50,047	50,047
Advances-In	0	198,833	198,833	0	121,286	121,286
Refund of Prior Years Expenditures	0	61,947	61,947	0	0	0
Transfer-Out	(99,550)	(99,550)	0	0	0	0
Advances-Out	(141,977)	(141,977)	0	0	(124,763)	(124,763)
Pass Through Payment	0	0	0	(961,487)	(947,368)	14,119
Refund of Taxes Collected	(497,678)	(497,679)	(1)	0	0	0
Other Misc. Uses of Funds	(59,319)	0	59,319	(20,000)	0	20,000
Total Other Financing Sources (Uses)	(798,524)	(473,626)	324,898	(981,487)	(900,798)	80,689
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,581,685	512,905	(1,068,780)	(107,531)	7,492	115,023
Beginning Fund (Deficit) Balance	2,567,203	2,567,203	--	49,045	49,045	--
Prior Year Carry Over Encumbrances	204,252	204,252	--	20,025	20,025	--
Ending Fund (Deficit) Balance	\$ 4,353,140	\$ 3,284,360	(1,068,780)	(38,461)	\$ 76,562	\$ 115,023

(Continued)

Polaris Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 1999

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

(Continued)

Polaris Joint Vocational School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 1999

	Expendable Trust Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	7,904,457	7,091,926	\$ (812,531)
Tuition	0	0	0	264,978	264,978	0
Earnings on Investment	0	0	0	294,596	294,596	0
Miscellaneous	144,035	144,035	0	288,807	288,807	0
State Unrestricted Grants-in-Aid	0	0	0	4,271,392	3,112,818	(1,158,574)
State Restricted Grants-in-Aid	0	0	0	201,821	201,821	0
Federal Restricted Grants-in-Aid	0	0	0	1,656,661	1,601,638	(55,023)
Total Revenues	144,035	144,035	0	14,882,712	12,856,584	(2,026,128)
Expenditures:						
Regular Instruction	0	0	0	529,608	525,717	3,891
Vocational Instruction	0	0	0	3,876,442	3,802,793	73,649
Adult/Continuing Instruction	0	0	0	22,522	22,522	0
Support Services-Pupils	209	249	(40)	1,644,481	1,576,955	67,526
Support Services-Instructional Staff	0	0	0	722,150	664,540	57,610
Support Services-Board of Education	0	0	0	123,012	71,741	51,271
Support Services-Administration	0	0	0	911,682	864,534	47,148
Fiscal Services	0	0	0	427,388	422,382	5,006
Support Services-Business	0	0	0	226,824	197,536	29,288
Operation & Maintenance-Plant	0	0	0	1,620,450	1,516,127	104,323
Support Services-Transportation	0	0	0	71,186	60,458	10,728
Support Services-Central	0	0	0	783,109	618,756	164,353
Community Services	0	0	0	85,219	85,219	0
Other Operational Non Instructional	120	120	0	10,844	10,413	431
Occupation Oriented Activities	0	0	0	4,000	2,897	1,103
Co-Curricular Activities	0	0	0	15,240	9,638	5,602
Site Improvements	0	0	0	75,000	19,234	55,766
Architecture & Engineering	0	0	0	24,638	16,638	8,000
Building Improvements	0	0	0	237,245	256,196	(18,951)
Other Acquisition & Construction	0	0	0	73,801	73,801	0
Total Expenditures	329	369	(40)	11,484,841	10,818,097	666,744
Excess of Revenues Over (Under) Expenditures	143,706	143,666	(40)	3,397,871	2,038,487	(1,359,384)
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	4,800	4,800
Transfer-In	0	208	208	0	50,255	50,255
Advances-In	0	0	0	0	320,119	320,119
Refund of Prior Year Expenditures	0	0	0	0	61,947	61,947
Transfer-Out	0	(336,873)	(336,873)	(99,550)	(436,423)	(336,873)
Advances-Out	0	(32,850)	(32,850)	(141,977)	(299,590)	(157,613)
Pass Through Payment	0	0	0	(961,487)	(947,368)	14,119
Refund of Taxes Collected	0	0	0	(497,678)	(497,679)	(1)
Other Misc. Uses of Funds	0	0	0	(79,319)	0	79,319
Total Other Sources (Uses)	0	(369,515)	(369,515)	(1,780,011)	(1,743,939)	36,072
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	143,706	(225,849)	(369,555)	1,617,860	294,548	(1,323,312)
Beginning Fund (Deficit) Balance	227,021	227,021	--	3,242,670	3,242,670	--
Prior Year Carry Over Encumbrances	0	0	--	224,277	224,277	--
Ending Fund (Deficit) Balance	\$ 370,727	1,172	(369,555)	5,084,807	3,761,495	\$ (1,323,312)

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District

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

All Proprietary Fund Types

Year Ended June 30, 1999

	Enterprise Funds	Internal Service Funds	Totals (Memorandum) (Only)
Operating Revenues:			
Tuition	\$ 1,743,303	0	\$ 1,743,303
Transportation Fees	801	0	801
Food Services	197,956	0	197,956
Classroom Materials & Fees	162,311	0	162,311
Miscellaneous	97,154	1,023,608	1,120,762
Total Operating Revenue	<u>2,201,525</u>	<u>1,023,608</u>	<u>3,225,133</u>
Operating Expenses:			
Personal Services - Salary	1,521,463	0	1,521,463
Employee Benefits	415,735	15,072	430,807
Purchased Services	305,096	112,963	418,059
Supplies and Materials	472,545	0	472,545
Other Expenses	2,375	817,395	819,970
Depreciation	25,565	0	25,565
Total Operating Expense	<u>2,742,779</u>	<u>945,630</u>	<u>3,688,409</u>
Operating Income (Loss)	(541,254)	77,978	(463,276)
Non-Operating Revenues:			
Earnings on Investments	188	0	188
Miscellaneous	650	0	650
State Unrestricted Grants-In-Aid	284,342	0	284,342
State Restricted Grants-In-Aid	5,118	0	5,118
Federal Restricted Grants-In-Aid	20,243	0	20,243
Total Non-Operating Revenue	<u>310,541</u>	<u>0</u>	<u>310,541</u>
Non-Operating Expenses:			
Loss on Disposal of Assets	<u>7,840</u>	<u>0</u>	<u>7,840</u>
Net Income Before Operating Transfers	(238,553)	77,978	(160,575)
Operating Transfers In	<u>386,873</u>	<u>0</u>	<u>386,873</u>
Total Operating Transfers	386,873	0	386,873
Net Income	148,320	77,978	226,298
Beginning Retained Earnings	<u>605,159</u>	<u>586,285</u>	<u>1,191,444</u>
Retained Earnings at End of Year	<u>\$ 753,479</u>	<u>664,263</u>	<u>\$ 1,417,742</u>

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 1999

	Enterprise Funds	Internal Service Funds	Totals (Memorandum) Only
Cash Flows from Operating Activities			
Operating (Loss) Income	\$ (541,254)	77,978	\$ (463,276)
Adjustment to Reconcile Operating Income			
To Net Cash Provided by (used for) Operating Activities:			
Depreciation	25,565	0	25,565
Net (Increases) Decreases in Assets:			
Accounts Receivable	116,981	(605)	116,376
Intergovernmental Receivables	116,632	0	116,632
Inventory	(533)	0	(533)
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	90	0	90
Intergovernmental Payable	2,678	0	2,678
Accounts Payable	43,606	0	43,606
Accrued Salaries	4,865	0	4,865
Claims Payable	0	15,073	15,073
Deferred Revenue	(438)	0	(438)
Compensated Absences	8,550	0	8,550
Net Adjustments	<u>317,996</u>	<u>14,468</u>	<u>332,464</u>
Net Cash Provided by (used for) Operating Activities	(223,258)	92,446	(130,812)
Cash Flows from Noncapital Financing Activities:			
Earnings on Investments	188	0	188
Miscellaneous	650	0	650
Advances From Other Funds	(20,528)	0	(20,528)
Transfers from Other Funds	386,873	0	386,873
Operating Grants from State Sources	289,460	0	289,460
Operating Grants from Federal Sources	<u>20,243</u>	<u>0</u>	<u>20,243</u>
Net Cash Provided by Noncapital Financing Activities	<u>676,886</u>	<u>0</u>	<u>676,886</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	<u>(54,733)</u>	<u>0</u>	<u>(54,733)</u>
Net Cash Used for Capital Financing Activities	<u>(54,733)</u>	<u>0</u>	<u>(54,733)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	398,895	92,446	491,341
Cash and Cash Equivalents at Beginning of Year	<u>143,365</u>	<u>661,434</u>	<u>804,799</u>
Cash and Cash Equivalents at End of Year	<u>\$ 542,260</u>	<u>753,880</u>	<u>\$ 1,296,140</u>

See Accompanying Notes to General Purpose Financial Statements

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies

The financial statements of the Polaris Joint Vocational School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an appointed Board of Education (7 members) which is comprised of one member from each associate school district plus one rotating member from each participating district as well. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City Schools, Olmsted Falls City Schools, and Strongsville City Schools are the member districts.

Average daily membership (ADM) as of October 1, 1998, was 590. The District employed 14 administrative and supervisory personnel, 60 certified employees and 68 non-certificated employees.

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

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

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

organization's governing body and it is able to either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

The District is associated with one jointly governed organization and one public entity risk pool, which are discussed in Notes 17 and 7, respectively.

Management believes the financial statements included in this report represent all of the funds of Polaris Joint Vocational School District over which the District is financially accountable.

B. Fund Accounting and Measurement Focus/Basis of Accounting

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

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

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

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

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

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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

Proprietary Fund Types

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

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

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District has an internal service fund at June 30, 1999, that is used to operate the District's self-funding of medical benefits.

Fiduciary Fund Types

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District does not have any nonexpendable trust funds at June 30, 1999.

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

Account Groups

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

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

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

C. Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the appropriation resolution are subject to amendments throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Amended Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Amended Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

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

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

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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

D. Cash and Investments

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

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

The District invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during Fiscal Year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

For the District, all investment earnings accrue to the General Fund and Enterprise Fund as authorized by Board resolution. Interest income earned in fiscal year 1999 totaled \$291,659; \$291,471 for the General Fund and \$188 for the Enterprise Fund.

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

E. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of the governmental fund type inventories are recorded as expenditures when

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expensed when used.

F. Prepaid Items

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

G. Fixed Assets

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

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

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

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

H. Intergovernmental Revenues

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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

Entitlements

General Fund

State Foundation Program
Management Information Systems

Non-Reimbursable Grants

Special Revenue Funds

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

Reimbursable Grants

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 24% of the District's operating revenue during the 1999 fiscal year.

I. Short-Term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 1999, the District had \$184,257 in interfund receivables/payables and \$3,962 in due to/from other funds.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

J. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 1999.

K. Compensated Absences

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

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

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

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

L. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. At June 30, 1999 and 1998, the District had no contributed capital.

M. Long-Term Obligations

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

N. Interfund Transactions

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

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

O. Fund Balance Reserves

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by state law and can be used only after receiving approval from the State Superintendent of Public Instruction. A related fund balance reserve has also been established.

Q. Memorandum Only - Total Columns

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

Note 2. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, (Non-GAAP Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 2. Budgetary Basis of Accounting (continued)

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

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

	General Fund	Special Revenue	Expendable Trust
GAAP Basis	\$ 1,068,236	139,245	\$ (193,000)
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	(546,214)	(77,548)	0
Due to Expenditures:			
Net Adjustments to Expenditures Accruals	(125,007)	(50,728)	(32,849)
Other Uses	115,890	(3,477)	0
Budget Basis	<u>\$ 512,905</u>	<u>7,492</u>	<u>\$ (225,849)</u>

Note 3. Cash and Investments

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 3 . Cash and Investments (continued)

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

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

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 3 . Cash and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$1,545,194 and the bank balance was \$2,023,675. All of the bank balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

		Carrying Value	Fair Value
US Treasury Bonds and Notes	\$ 2,229,200	2,229,200	\$ 2,223,825
Repurchase Agreements	1,195,000	1,195,000	1,195,000
STAR Ohio		513,165	513,165
Total Investments		\$ 3,937,365	\$ 3,931,990

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 4. Property Tax

Property taxes are levied and assessed on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Polaris Joint Vocational School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1994. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in December 31. If paid semi-annually, the first payment is due in December 31, with the remainder payable by June 20. Under certain circumstances state statute permits alternative payment dates to be established.

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

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

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

The full tax rate at the fiscal year ending June 30, 1999, for operations was \$2.40 per \$1,000 of assessed valuation.

Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. At June 30, 1999, \$820,088 was available to the District as an advance.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 4. Property Tax (continued)

The assessed values of real and tangible personal property in Cuyahoga County on which the 1999 taxes were collected were as follows:

Real Property	\$ 3,411,144,830
Public Utility Personal Property	182,722,150
Tangible Personal Property	<u>479,458,837</u>
Total Assessed Value	<u>\$ 4,073,325,817</u>

Lorain County assessed values were insignificant.

Note 5. Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (student fees), and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Excess Costs	<u>\$ 91,738</u>
Total General Fund	91,738
Special Revenue Funds:	
VoEd Tech Match	30,000
Perkins Grant	<u>52,733</u>
Total Special Revenue Funds	82,733
Enterprise Funds:	
Adult Education	<u>42,210</u>
Total Enterprise Funds	42,210
Grand Total	<u>\$ 216,681</u>

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 6. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 760,557
Less Accumulated Depreciation	<u>(354,846)</u>
Net Fixed Assets	<u>\$ 405,711</u>

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

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 261,492	0	0	\$ 261,492
Buildings	11,808,886	0	0	11,808,886
Furniture and Equipment	5,064,844	351,181	42,210	5,373,815
Vehicles	251,037	44,397	0	295,434
Total General Fixed Assets	<u>\$ 17,386,259</u>	<u>395,578</u>	<u>42,210</u>	<u>\$ 17,739,627</u>

There was no significant construction in progress at June 30, 1999.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the District contracted with Nationwide Insurance Company for real property and building contents in a maximum amount of \$33,354,100 with a \$1,000 deductible clause. The District maintains coverage for its vehicles in a maximum amount of \$ 2,000,000 a \$1,000 deductible for comprehensive and a \$ 0 deductible for collision. In addition, the District maintains liability coverage as follows: \$2,000,000 for buses, single limit: \$2,000,000 for premises; and \$5,000,000 professional liability. The settled claims have never exceeded the commercial coverage. There has not been a significant reduction in coverage from the prior year.

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

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

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participants pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

The District cash and investments balance in the Self Insurance Fund is \$753,880 as of June 30, 1999. The O.R.C. 9.833 report has established \$90,708 as incurred but not reported claims; they have been accrued.

A small percentage (under 10%) of the District's employees choose a Health Maintenance Organization (Kaiser Permanente) and are not part of the self-funding process. Additionally, life insurance benefits of

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 7. Risk Management (continued)

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

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
1996	68,065	512,141	478,414	101,792
1997	101,792	784,139	789,728	96,203
1998	96,203	767,540	788,107	75,636
1999	75,636	832,669	817,597	90,708

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement defined benefit pension plan, administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent; 7.7 percent was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The adequacy of the contribution rates is determined annually. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$324,221, \$300,639 and \$281,922, respectively; 100 percent has been contributed for fiscal years 1999, 1998, and 1997. The District pays pension fund obligations when incurred.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 8. Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 6 percent was the portion to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$700,949, \$733,587 and \$691,612, respectively; 100 percent has been contributed for fiscal years 1999, 1998 and 1997. The District pays pension fund obligations when incurred.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS or STRS. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9. Postemployment Benefits

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributes equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 9. Postemployment Benefits (continued)

equaled \$400,542 during the 1999 fiscal year. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998 (the latest information available). For the fiscal year ended June 30, 1998, eligible benefit recipients totaled 91,999, and net health care costs paid by STRS were \$219,224,000.

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

For the fiscal year ended June 30, 1999 employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$188,788 during the 1999 fiscal year.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 10. Compensated Absences

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

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

Administrators earn 20 days of vacation per year.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 10. Compensated Absences (continued)

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 308 days for classified employees and 328 days for certified employees.

Retirement Severance Pay:

Certified Employees

Five or More Years of Service. A teacher who has five (5) or more years of service with the Board may elect at the time of retirement from active service to be paid for thirty percent (30%) of the value of the teacher's accrued but unused sick leave credit to a maximum of ninety two (92) days during 1998-99.

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

Ten or More Years of Service. A teacher who has ten (10) or more years of service with the Board, who resigns or who is severed from employment for any reason, may elect to receive a lump sum cash payment for thirty percent (30%) of the value of the teacher's accrued but unused sick leave credit to a maximum of forty (40) days during the remainder of the term of the agreement. Such payment shall be calculated by multiplying the employee's daily rate of pay at the time of such severance of employment by the total number of days to which they are entitled. The rate paid will be the then effective per diem rate in effect at the time of resignation of severance of employment.

Classified Employees

Any employee who has five (5) or more years of service with the Board of Education may elect at the time of retirement from active service to be paid for thirty percent (30%) of the value of the employee's accrued but unused sick leave credit to a maximum of sixty-five (65) days. Severance pay is a per diem based upon the employee's hourly rate at retirement, times the hours worked per day.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 10. Compensated Absences (continued)

The word retirement as used shall be limited exclusively to mean full permanent service retirement with regard to age and years of service under the School Employees Retirement System. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the employee.

Total compensated absences payable at June 30, 1999 was \$493,685.

Note 11. Interfund Transactions

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

	Transfers-In	Transfers-Out
General Fund	\$ 0	\$ 99,550
Special Revenue	50,047	0
Expendable Trust	208	0
Enterprise	386,873	336,873
Agency	0	705
	\$ 437,128	\$ 437,128

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 184,257	\$ 0
Special Revenue Funds	0	121,285
Enterprise Funds	0	62,972
	\$ 184,257	\$ 184,257

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 11. Interfund Transactions (continued)

Due From/to Other Funds:

	Receivables	Payables
General Fund	\$ 0	\$ 3,714
Special Revenue Funds	0	51
Enterprise Funds	0	197
Agency Funds	3,962	0
	\$ 3,962	\$ 3,962

Note 12. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

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

Note 13. General Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance		Balance
	July 1, 1998	Net Change	June 30, 1999
Lease Obligations Payable	\$ 248,578	44,431	\$ 293,009
Compensated Absences Payable	289,639	34,913	324,552
	\$ 538,217	79,344	\$ 617,561

Note 13. General Long-Term Obligations (continued)

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

On August 1, 1997 the Board of Education authorized the lease purchase of computer equipment. The lease purchase was dated August 1, 1997 for \$292,500 and matures in monthly installments through July 1, 2002, with interest payable at 4.9%. During fiscal year 1999 the Board of Education authorized the lease purchase of additional computer equipment. The lease purchase was dated September 29, 1998 for \$136,556 and matures in monthly installments through September 1, 2001, with interest payable at 4.9%.

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

	Principal	Interest
FY 2000	\$ 103,053	\$ 12,063
FY 2001	108,217	6,898
FY 2002	76,255	2,082
FY 2003	5,484	22
Total	\$ 293,009	\$ 21,065

Note 14. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,112,818 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 17. Jointly Governed Organization

The Ohio Schools Council (Council) is a jointly governed organization among eighty-two school districts. This jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Governing Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999 the District paid \$500 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 6376 Mill Road, Broadview Heights, Ohio 44147.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period.

The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year end and necessary adjustments are made.

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

Note 18. Statutory Reserves

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

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 18. Statutory Reserves (continued)

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

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Set-aside cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 65,070
Current Year Set-aside Requirement	164,900	164,900	82,450
Qualifying Disbursements	(198,924)	(529,770)	0
Total	<u>\$ (34,024)</u>	<u>\$ (364,870)</u>	<u>\$ 147,520</u>
Cash Balance Carried Forward to FY2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 147,520</u>

Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Note 19. Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State Education Management Information System (EMIS).

The District uses Snyder & Associates' software for its financial reporting, payroll and employee benefits. Snyder & Associates is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

Polaris Joint Vocational School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 20. Subsequent Event

In August 1999 the District held an auction and sold \$780,000 of general fixed assets. Total proceeds from the sale were approximately \$15,000.

Polaris Joint Vocational School District
Cuyahoga County, Ohio

Schedule of Federal Awards Expenditures
For The Year Ended June 30, 1999

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$5,566	\$0	\$5,566
National School Lunch Program	050948 04-PU-00	10.555	16,405	0	16,405	0
Total U.S. Department of Agriculture - Nutrition Cluster			16,405	5,566	16,405	5,566
<u>U.S. Department of Education</u>						
Direct Program						
Pell Grant	09048 RH-00 00	84.063	41,048	0	23,817	0
Technology Innovation Challenge Grant		84.303A	991,969	0	973,315	0
Total Direct Payment Programs			1,033,017	0	997,132	0
<i>Passed Through the Ohio Department of Education</i>						
Eisenhower Math and Science	050948-MS-S1 99	84.281	1,389	0	974	0
Innovative Education Program Strategy	050948-C2-S1 99	84.298	2,153	0	2,133	0
Vocational Education:						
Basic Grants to States	050948-20-C1 00	84.048	191,772	0	201,935	0
	050948 20-C2 00		199,325	0	143,763	0
Ventures in Business Ownership	050948-20-A5 00		40,700	0	33,507	0
Displaced Homemaker	050948-20-A4-00		64,143	0	76,918	0
Total Vocational Education			499,482	0	459,230	0
Goals 2000	050948-G2-SP-99	84.276	41,486	0	19,832	0
<u>U.S Department of Labor</u>						
<i>Passed Through the Ohio Department of Education</i>						
School to Work	050948 WK-BE 00	17.249	51,413	0	54,434	0
Total Ohio Department of Education			592,381	0	533,496	0
Total Federal Financial Assistance			\$1,641,803	\$5,566	\$1,550,140	\$5,566

The notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule

POLARIS JOINT VOCATIONAL SCHOOL
CUYAHOGA COUNTY
FISCAL YEAR ENDED JUNE 30, 1999

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B-- SUBRECIPIENTS

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

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

NOTE C--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

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

We have audited the financial statements of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed *no instances of noncompliance that are required to be reported under Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and *not to provide assurance on the internal control over financial reporting*. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the *internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated November 30, 1999.*

Polaris Joint Vocational School District
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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



JIM PETRO
Auditor of State

November 30, 1999



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

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

Compliance

We have audited the compliance of Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Internal Control Over Compliance

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated November 30, 1999.

Schedule of Federal Awards Expenditures

We have audited the general-purpose financial statements of the District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 30, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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



JIM PETRO
Auditor of State

November 30, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JAN 11 2000