



**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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, 2002, 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Note 6 to the general purpose financial statements, the District restated the June 30, 2001 fixed asset balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it 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".

Jim Petro
Auditor of State

December 10, 2002

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**Polaris Joint Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types				Proprietary Fund Type			Fiduciary Fund Type			Account Groups			Totals 2002 (Memorandum) (Only)
	General	Special	Debt	Capital	Enterprise	Internal	Trust and Agency	Fixed Assets	General	Long Term Debt	General	Long Term Debt		
		Revenue	Service	Project									Service	
Assets and Other Debits:														
Equity in Pooled Cash and Investments	\$ 5,532,538	152,921	1,375	412,549	159,242	656,834	79,329	0	0	0	0	0	0	\$ 6,994,788
Taxes Receivable	8,390,500	0	0	0	0	0	0	0	0	0	0	0	0	8,390,500
Interfund Receivables	425,518	0	0	0	0	0	0	0	0	0	0	0	0	425,518
Due from Other Funds	0	0	0	0	0	0	6,772	0	0	0	0	0	0	6,772
Intergovernmental Receivables	0	372,671	0	0	792	0	0	0	0	0	0	0	0	373,463
Accounts Receivable	14,626	0	0	0	174,028	70	0	0	0	0	0	0	0	188,724
Supply Inventory	23,649	0	0	0	738	0	0	0	0	0	0	0	0	24,387
Inventory for Resale	0	0	0	0	5,183	0	0	0	0	0	0	0	0	5,183
Property, Plant & Equipment	0	0	0	0	502,281	0	0	16,644,428	0	0	0	0	0	17,146,709
Accumulated Depreciation, Where Applicable	0	0	0	0	(255,831)	0	0	(7,909,529)	0	0	0	0	0	(8,165,360)
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets and Other Debits	\$ 14,386,831	525,592	1,375	412,549	586,433	656,904	86,101	8,734,899	1,384,898	1,384,898	1,384,898	0	0	\$ 26,775,582

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002

	Governmental Fund Types					Proprietary Fund Type			Fiduciary Fund Type			Account Groups		Totals 2002 (Memorandum) (Only)	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long Term Debt	General				
											General	Long Term Debt			
Liabilities:															
Interfund Payables	\$ 0	380,738	0	2,500	42,280	0	0	0	0	0	0	0	0	\$ 0	425,518
Due to Other Funds	3,146	6	0	0	3,620	0	0	0	0	0	0	0	0	0	6,772
Intergovernmental Payables	87,693	189	0	0	105,371	0	66,921	0	0	0	0	0	0	1,091	261,265
Accounts Payable	32,037	4,751	0	0	30,160	0	0	0	0	0	0	0	0	0	66,948
Matured Bonds Payable	0	0	1,375	0	0	0	0	0	0	0	0	0	0	0	1,375
Claims Payable	0	0	0	0	0	21,744	0	0	0	0	0	0	0	0	21,744
Accrued Salaries and Benefits	671,129	1,972	0	0	53,105	0	0	0	0	0	0	0	0	0	726,206
Deferred Revenue	6,717,326	0	0	0	775	0	0	0	0	0	0	0	0	0	6,718,101
Lease Obligations Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	5,484	5,484
Due to Others	0	0	0	0	0	0	17,063	0	0	0	0	0	0	0	17,063
Compensated Absences Payable	130,453	0	0	0	209,298	0	0	0	0	0	0	0	0	1,378,323	1,718,074
Total Liabilities	7,641,784	387,656	1,375	2,500	444,609	21,744	83,984	0	0	0	0	0	0	1,384,898	9,968,550
Fund Equity and Other Credits:															
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	8,734,899	0	0	0	0	0	8,734,899
Retained Earnings	0	0	0	0	141,824	635,160	0	0	0	0	0	0	0	0	776,984
Fund Balances:															
Reserved for Supply Inventory	23,649	0	0	0	0	0	0	0	0	0	0	0	0	0	23,649
Reserved for Budget Stabilization	241,244	0	0	0	0	0	0	0	0	0	0	0	0	0	241,244
Reserved for Encumbrances	575,405	31,211	0	0	0	0	0	0	0	0	0	0	0	0	606,616
Reserved for Property Tax	1,673,174	0	0	0	0	0	0	0	0	0	0	0	0	0	1,673,174
Unreserved Fund Balance	4,231,575	106,725	0	410,049	0	0	2,117	0	0	0	0	0	0	0	4,750,466
Total Fund Balances	6,745,047	137,936	0	410,049	0	0	2,117	0	0	0	0	0	0	0	7,295,149
Total Fund Balances/Retained Earnings and Other Credits	6,745,047	137,936	0	410,049	141,824	635,160	2,117	0	8,734,899	0	0	0	0	0	16,807,032
Total Liabilities, Fund Equity, and Other Credits	\$ 14,386,831	525,592	1,375	412,549	586,433	656,904	86,101	0	8,734,899	0	0	0	0	\$ 26,775,582	

See Accompanying Notes to the General Purpose Financial Statements

Polaris Joint Vocational School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum (Only))
	General	Special Revenue	Capital Project	Expendable Trust Funds	
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 9,665,716	0	0	0	\$ 9,665,716
Tuition	31,343	0	0	0	31,343
Earnings on Investments	316,800	0	0	0	316,800
Extracurricular Activities	2,594	0	0	0	2,594
Classroom Materials & Fees	27,582	0	0	0	27,582
Miscellaneous	149,299	0	0	1,545	150,844
Revenue from Intermediate Sources					
Restricted Grants in Aid	0	3,817	0	0	3,817
Revenue from State Sources					
Unrestricted Grants-in-Aid	3,382,299	81,739	0	0	3,464,038
Restricted Grants-in-Aid	0	154,186	8,700	0	162,886
Revenue from Federal Sources					
Restricted Grants-in-Aid	0	2,524,765	0	0	2,524,765
Total Revenues	<u>13,575,633</u>	<u>2,764,507</u>	<u>8,700</u>	<u>1,545</u>	<u>16,350,385</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	0	61,472	0	0	61,472
Vocational	4,617,455	191,541	0	0	4,808,996
Adult/Continuing	0	134,153	0	0	134,153
Supporting Services:					
Pupils	1,312,340	191,318	0	0	1,503,658
Instructional Staff	1,400,048	98,259	911	0	1,499,218
Board of Education	51,379	0	0	0	51,379
Administration	772,464	25,353	0	0	797,817
Fiscal Services	555,402	0	0	600	556,002
Business	234,373	0	0	0	234,373
Operation & Maintenance-Plant	1,557,452	0	0	0	1,557,452
Pupil Transportation	67,932	0	0	0	67,932
Central	885,077	193,376	2,500	0	1,080,953
Extracurricular Activities:					
Occupation Oriented Activities	14,020	(390)	0	0	13,630
Co-Curricular Activities	11,130	0	0	0	11,130
Capital Outlay:					
Site Improvement	37,214	0	0	0	37,214
Architecture & Engineering	18,180	0	0	0	18,180
Building Improvement	383,404	0	0	0	383,404
Other Non-Instructional	0	1,912,695	0	0	1,912,695
Total Expenditures	<u>11,917,870</u>	<u>2,807,777</u>	<u>3,411</u>	<u>600</u>	<u>14,729,658</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	1,657,763	(43,270)	5,289	945	1,620,727
Other Financing Sources (Uses):					
Other Financing Sources					
Sale & Loss of Assets	1,080	0	0	0	1,080
Transfers-In	0	19,968	0	0	19,968
Refund of Prior Year Expenditures	325	0	0	0	325
Other Financing Uses					
Transfers-Out	(572,525)	0	0	0	(572,525)
Net Other Financing Sources and (Uses)	<u>(571,120)</u>	<u>19,968</u>	<u>0</u>	<u>0</u>	<u>(551,152)</u>
Excess (Deficiency) of Revenues and Other Sources					
Over (Under) Expenditures and Other (Uses)	1,086,643	(23,302)	5,289	945	1,069,575
Increase Supply Inventory	(9,339)	0	0	0	(9,339)
Beginning Fund Balance	5,667,743	161,238	404,760	1,172	6,234,913
Ending Fund Balance	<u>\$ 6,745,047</u>	<u>137,936</u>	<u>410,049</u>	<u>2,117</u>	<u>\$ 7,295,149</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, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 8,650,000	8,635,867	(14,133)	0	0	\$ 0
Tuition	10,000	31,343	21,343	0	0	0
Earnings on Investment	300,000	302,501	2,501	0	0	0
Extracurricular Activities	0	2,594	2,594	0	0	0
Classroom Materials & Fees	27,500	27,582	82	0	0	0
Miscellaneous	140,000	148,972	8,972	0	0	0
Intermediate Restricted Grants-in-Aid	0	0	0	2,142	3,817	1,675
State Unrestricted Grants-in-Aid	3,300,000	3,382,299	82,299	87,000	81,739	(5,261)
State Restricted Grants-in-Aid	40,000	40,266	266	111,388	113,921	2,533
Federal Restricted Grants-in-Aid	0	0	0	2,609,470	2,194,544	(414,926)
Total Revenues	12,467,500	12,571,424	103,924	2,810,000	2,394,021	(415,979)
Expenditures:						
Regular Instruction	0	0	0	61,902	61,869	33
Vocational Instruction	4,808,798	4,744,955	63,843	292,996	223,422	69,574
Adult/Continuing Instruction	0	0	0	145,461	134,153	11,308
Other Instruction	3,804	0	3,804	0	0	0
Support Services-Pupils	1,371,053	1,313,153	57,900	190,639	191,527	(888)
Support Services-Instructional Staff	1,408,332	1,445,590	(37,258)	111,724	101,802	9,922
Support Services-Board of Education	138,550	56,714	81,836	0	0	0
Support Services-Administration	814,494	784,492	30,002	28,865	29,596	(731)
Fiscal Services	487,130	565,714	(78,584)	0	0	0
Support Services-Business	280,289	243,369	36,920	0	0	0
Operation & Maintenance-Plant	1,859,360	1,604,640	254,720	0	0	0
Support Services-Transportation	71,531	71,151	380	0	0	0
Support Services-Central	986,184	979,283	6,901	210,000	204,809	5,191
Occupation Oriented Activities	13,236	13,504	(268)	0	0	0
Co-Curricular Activities	11,000	11,130	(130)	0	0	0
Site Improvement	175,075	38,839	136,236	0	0	0
Architecture & Engineering	56,884	21,570	35,314	0	0	0
Building Improvement	750,097	692,164	57,933	0	0	0
Other Non-Instructional	0	0	0	1,948,851	1,912,695	36,156
Total Expenditures	13,235,817	12,586,268	649,549	2,990,438	2,859,873	130,565
Excess of Revenues Over (Under) Expenditures	(768,317)	(14,844)	753,473	(180,438)	(465,852)	(285,414)
Other Financing Sources (Uses):						
Sale & Loss of Assets	1,000	1,080	80	0	0	0
Transfer-In	0	0	0	0	19,968	19,968
Advances-In	75,000	73,645	(1,355)	0	380,738	380,738
Refund of Prior Years Expenditures	0	325	325	0	0	0
Transfer-Out	(200,000)	(572,525)	(372,525)	0	0	0
Advances-Out	(200,000)	(383,238)	(183,238)	0	(73,645)	(73,645)
Other Misc. Uses of Funds	(297,682)	0	297,682	0	0	0
Total Other Financing Sources (Uses)	(621,682)	(880,713)	(259,031)	0	327,061	327,061
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,389,999)	(895,557)	494,442	(180,438)	(138,791)	41,647
Beginning Fund (Deficit) Balance	5,267,358	5,267,358	--	142,038	142,038	--
Prior Year Carry Over Encumbrances	612,061	612,061	--	74,321	74,321	--
Ending Fund (Deficit) Balance	\$ 4,489,420	4,983,862	494,442	35,921	77,568	\$ 41,647

(Continued)

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, 2002

	Debt Service Fund			Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Intermediate Restricted Grants-in-Aid	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	8,700	8,700
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenues	0	0	0	0	8,700	8,700
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
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	4,357	1,034	3,323
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	5,000	2,500	2,500
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 Non-Instructional	0	0	0	0	0	0
Total Expenditures	0	0	0	9,357	3,534	5,823
Excess of Revenues Over (Under) Expenditures	0	0	0	(9,357)	5,166	14,523
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	2,500	2,500
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
Other Misc Uses of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	0	2,500	2,500
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(9,357)	7,666	17,023
Beginning Fund (Deficit) Balance	1,375	1,375	--	404,883	404,883	--
Prior Year Carry Over Encumbrances	0	0	--	0	0	--
Ending Fund (Deficit) Balance	\$ 1,375	1,375	0	395,526	412,549	\$ 17,023

(Continued)

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, 2002

	Expendable Trust Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	8,650,000	8,635,867	\$ (14,133)
Tuition	0	0	0	10,000	31,343	21,343
Earnings on Investment	0	0	0	300,000	302,501	2,501
Extracurricular Activities	0	0	0	0	2,594	2,594
Classroom Materials & Fees	0	0	0	27,500	27,582	82
Miscellaneous	1,500	1,545	45	141,500	150,517	9,017
Intermediate Restricted Grants-in-Aid	0	0	0	2,142	3,817	1,675
State Unrestricted Grants-in-Aid	0	0	0	3,387,000	3,464,038	77,038
State Restricted Grants-in-Aid	0	0	0	151,388	162,887	11,499
Federal Restricted Grants-in-Aid	0	0	0	2,609,470	2,194,544	(414,926)
Total Revenues	1,500	1,545	45	15,279,000	14,975,690	(303,310)
Expenditures:						
Regular Instruction	0	0	0	61,902	61,869	33
Vocational Instruction	0	0	0	5,101,794	4,968,377	133,417
Adult/Continuing Instruction	0	0	0	145,461	134,153	11,308
Other Instruction	0	0	0	3,804	0	3,804
Support Services-Pupils	0	0	0	1,561,692	1,504,680	57,012
Support Services-Instructional Staff	0	0	0	1,524,413	1,548,426	(24,013)
Support Services-Board of Education	0	0	0	138,550	56,714	81,836
Support Services-Administration	0	0	0	843,359	814,088	29,271
Fiscal Services	0	600	(600)	487,130	566,314	(79,184)
Support Services-Business	0	0	0	280,289	243,369	36,920
Operation & Maintenance-Plant	0	0	0	1,859,360	1,604,640	254,720
Support Services-Transportation	0	0	0	71,531	71,151	380
Support Services-Central	0	0	0	1,201,184	1,186,592	14,592
Occupation Oriented Activities	0	0	0	13,236	13,504	(268)
Co-Curricular Activities	0	0	0	11,000	11,130	(130)
Site Improvements	0	0	0	175,075	38,839	136,236
Architecture & Engineering	0	0	0	56,884	21,570	35,314
Building Improvements	0	0	0	750,097	692,164	57,933
Other Non-Instructional	0	0	0	1,948,851	1,912,695	36,156
Total Expenditures	0	600	(600)	16,235,612	15,450,275	785,337
Excess of Revenues Over (Under) Expenditures	1,500	945	(555)	(956,612)	(474,585)	482,027
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	1,000	1,080	80
Transfer-In	0	0	0	0	19,968	19,968
Advances-In	0	0	0	75,000	456,883	381,883
Refund of Prior Year Expenditures	0	0	0	0	325	325
Transfer-Out	0	0	0	(200,000)	(572,525)	(372,525)
Advances-Out	0	0	0	(200,000)	(456,883)	(256,883)
Other Misc. Uses of Funds	0	0	0	(297,682)	0	297,682
Total Other Sources (Uses)	0	0	0	(621,682)	(551,152)	70,530
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,500	945	(555)	(1,578,294)	(1,025,737)	552,557
Beginning Fund (Deficit) Balance	1,171	1,171	--	5,816,825	5,816,825	--
Prior Year Carry Over Encumbrances	0	0	--	686,382	686,382	--
Ending Fund (Deficit) Balance	\$ 2,671	2,116	(555)	4,924,913	5,477,470	\$ 552,557

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, 2002

	Enterprise Funds	Internal Service Funds	Totals (Memorandum) (Only)
Operating Revenues:			
Tuition	\$ 2,297,118	0	\$ 2,297,118
Food Services	174,913	0	174,913
Classroom Materials & Fees	146,602	0	146,602
Miscellaneous	195,023	359,184	554,207
Total Operating Revenue	<u>2,813,656</u>	<u>359,184</u>	<u>3,172,840</u>
Operating Expenses:			
Personal Services - Salary	2,441,850	0	2,441,850
Employee Benefits	554,026	0	554,026
Purchased Services	285,471	13,234	298,705
Supplies and Materials	587,417	0	587,417
Other Expenses	15,255	354,342	369,597
Depreciation	28,595	0	28,595
Total Operating Expense	<u>3,912,614</u>	<u>367,576</u>	<u>4,280,190</u>
Operating Income (Loss)	(1,098,958)	(8,392)	(1,107,350)
Non-Operating Revenues:			
Miscellaneous	625	0	625
State Unrestricted Grants-In-Aid	418,976	0	418,976
State Restricted Grants-In-Aid	19,285	0	19,285
Federal Restricted Grants-In-Aid	50,430	0	50,430
Total Non-Operating Revenue	<u>489,316</u>	<u>0</u>	<u>489,316</u>
Non-Operating Expenses:			
Loss on Disposal of Assets	(31,219)	0	(31,219)
Net Income Before Operating Transfers	(640,861)	(8,392)	(649,253)
Operating Transfers In	552,557	0	552,557
Total Operating Transfers	552,557	0	552,557
Net Income(Loss)	(88,304)	(8,392)	(96,696)
Beginning Retained Earnings	230,128	643,552	873,680
Retained Earnings at End of Year	<u>\$ 141,824</u>	<u>635,160</u>	<u>\$ 776,984</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, 2002**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum) Only
Cash Flows from Operating Activities			
Operating (Loss) Income	\$ (1,098,958)	(8,392)	\$ (1,107,350)
Adjustment to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	28,595	0	28,595
Net (Increases) Decreases in Assets:			
Intergovernmental Receivables	6,008	0	6,008
Accounts Receivable	(37,528)	(70)	(37,598)
Inventory	(804)	0	(804)
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	3,546	0	3,546
Intergovernmental Payable	94,838	0	94,838
Accounts Payable	22,354	(3,872)	18,482
Accrued Salaries	25,007	0	25,007
Claims Payable	0	21,744	21,744
Deferred Revenue	1	0	1
Compensated Absences	29,352	0	29,352
Net Adjustments	<u>171,369</u>	<u>17,802</u>	<u>189,171</u>
Net Cash Provided by Operating Activities	(927,589)	9,410	(918,179)
Cash Flows from Noncapital Financing Activities:			
Miscellaneous	625	0	625
Transfers from Other Funds	552,557	0	552,557
Operating Grants from State Sources	438,261	0	438,261
Operating Grants from Federal Sources	50,430	0	50,430
Net Cash Provided by Noncapital Financing Activities	<u>1,041,873</u>	<u>0</u>	<u>1,041,873</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(66,465)	0	(66,465)
Net Cash Used for Capital Financing Activities	<u>(66,465)</u>	<u>0</u>	<u>(66,465)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	47,819	9,410	57,229
Cash and Cash Equivalents at Beginning of Year	111,423	647,424	758,847
Cash and Cash Equivalents at End of Year	<u>\$ 159,242</u>	<u>656,834</u>	<u>\$ 816,076</u>

See Accompanying Notes to General Purpose Financial Statements

Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2001, was 537. The District employed 14 administrative and supervisory personnel, 57 certified employees and 70 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 acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

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

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

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

The District is associated with one jointly governed organization and one public entity risk pool, which are discussed in Notes 15 and 7, respectively.

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

B. Basis of Presentation - Fund Accounting and Measurement Focus

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

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

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

Governmental Fund Types

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

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

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Proprietary Fund Types

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

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

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

Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies (continued)

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, 2002, that is used to operate the District's self-funding of medical benefits.

Fiduciary Fund Types

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

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

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District does not have any nonexpendable trust funds at June 30, 2002.

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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies (continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

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

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, accounts and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. 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, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund type and nonexpendable trust funds utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted

Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies (continued)

and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may be made only by resolution of the Board of Education.

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

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

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Amended Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Amended Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

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
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

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 School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2002, investments were limited to repurchase agreements, StarOhio, and Federal Home Loans. Repurchase agreements and Federal Home Loans are reported at cost.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$316,800.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Inventories

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

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. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. 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. Depreciation for assets in the General Fixed Assets Account Group are recorded in the General Fixed Assets Account Group not in the acquiring governmental fund.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over an estimated useful life of the assets:

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

H. 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, 2002, the District had \$6,772 in due from/to other funds, and \$425,518 in interfund receivables/payables.

I. 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, 2002.

J. 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; and 2.) It is probable that the

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

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.

K. 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.

L. 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.

M. 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.

N. Estimates

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

Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies (continued)

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

P. Memorandum Only - Total Columns

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

Note 2. Budgetary Basis of Accounting

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

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

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 2. Budgetary Basis of Accounting (continued)

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

	General Fund	Special Revenue	Capital Projects
GAAP Basis	\$1,086,643	\$(23,302)	\$5,289
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	(1,004,209)	(370,486)	0
Due to Expenditures:			
Net Adjustments to Expenditures Accruals	(668,398)	(52,096)	(123)
Other Uses	(309,593)	307,093	2,500
Budget Basis	\$(895,557)	\$(138,791)	\$7,666

Note 3. Cash and Investments

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

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

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

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 3. Cash and Investments (continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 3. Cash and Investments (continued)

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 \$3,990,426 and the bank balance was \$4,549,055. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$4,449,055 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC. The District had petty cash of \$1,602 on June 30, 2002.

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

	Category 3	Fair Value
Repurchase Agreements	\$ 725,000	\$ 725,000
Federal Home Loan Bank	1,007,771	1,007,771
Federal Home Loan	200,811	201,188
Federal Home Loan	600,000	611,436
FirstMerit Public Funds	48,133	48,133
STAR Ohio		409,232
Total Investments		<u>\$ 3,002,760</u>

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 3 . Cash and Investments (continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$6,994,788	
Investments:		
Federal Agency Securities	(1,868,528)	\$1,868,528
Repurchase Agreements	(725,000)	725,000
STAR Ohio	(409,232)	409,232
Cash on Hand (Petty Cash)	(1,602)	0
GASB Statement No. 3	<u>\$3,990,426</u>	<u>\$3,002,760</u>

Note 4. Property Tax

Property taxes are levied and assessed on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2002. 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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 4. Property Tax (continued)

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 the collected taxes to the District. Tax settlements are made each June and December for real property taxes and personal property taxes.

The full tax rate at the fiscal year ending June 30, 2002, 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, 2002. 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, 2002, \$1,673,174 was available to the District as an advance.

The assessed values of real and tangible personal property in Cuyahoga County on which the 2002 taxes were collected were as follows:

Real Property	\$4,058,311,280
Public Utility Personal Property	135,230,610
Tangible Personal Property	476,589,000
Total Assessed Value	<u><u>\$4,670,130,890</u></u>

Lorain County assessed values were insignificant.

Note 5. Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (student fees), and intergovernmental grants and entitlements. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:	
Perkins Grant	\$372,671
Enterprise Funds	
Adult Education - GED	792
Total Funds	<u><u>\$373,463</u></u>

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance at 6/30/2001	Additions	Reductions	Balance at 6/30/2002
Governmental Activities				
Land	\$261,490	\$0	\$0	\$261,490
Other Improvements	192,739	0	0	192,739
Buildings	11,822,254	47,204	0	11,869,458
Furniture and Equipment	3,951,281	433,209	(338,703)	4,045,787
Vehicles	257,288	46,386	(28,720)	274,954
Totals at Historical Cost	<u>16,485,052</u>	<u>526,799</u>	<u>(367,423)</u>	16,644,428
Less Accumulated Depreciation:				
Other Improvements	(173,465)	0	0	(173,465)
Buildings	(5,332,851)	(214,660)	0	(5,547,511)
Furniture and Equipment	(1,957,632)	(201,726)	104,432	(2,054,926)
Vehicles	(129,657)	(18,558)	14,588	(133,627)
Total Accumulated Depreciation	<u>(7,593,605)</u>	<u>(434,944)</u>	<u>119,020</u>	(7,909,529)
Governmental Activities Capital Assets, Net	<u>\$8,891,447</u>	<u>\$91,855</u>	<u>\$(248,403)</u>	<u>\$8,734,899</u>

There was no significant construction in progress at June 30, 2002.

	Balance at 6/30/2001	Additions	Reductions	Balance at 6/30/2002
Business-Type Activities				
Equipment	\$489,079	\$65,988	\$(52,786)	\$502,281
Totals at Historical Cost	<u>489,079</u>	<u>65,988</u>	<u>(52,786)</u>	502,281
Less Accumulated Depreciation:				
Equipment	(254,218)	(23,655)	22,042	(255,831)
Less Accumulated Depreciation	<u>(254,218)</u>	<u>(23,655)</u>	<u>22,042</u>	(255,831)
Business-Type Activities Capital Assets, Net	<u>\$234,861</u>	<u>\$42,333</u>	<u>\$(30,744)</u>	<u>\$246,450</u>

Capital assets for June 30, 2001 were restated to account for an increase in the capitalization threshold to \$1,000. In addition the District has elected to begin calculating and reporting depreciation for the assets recorded in the General Fixed Assets Account Group. This restatement had the following effect on fund equity as it was previously reported:

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 6. Capital Assets (continued)

	Enterprise Funds	General Fixed Asset Account Group
Net Assets June 30, 2001	\$310,370	\$18,068,019
Depreciation Adjustments:		
Change in Depreciation	137,220	(7,593,605)
Change in Threshold:		
Capital Assets	(212,729)	(1,582,967)
Adjusted Net Assets at June 30, 2001	\$234,861	\$8,891,447
Retained Earnings June 30, 2001	\$300,698	
Net Adjustments to Retaining Earnings	(70,570)	
Restated Retained Earnings June 30, 2001	\$230,128	

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 2002, the District contracted with Nationwide Insurance Company for real property and building contents in a maximum amount of \$36,001,100 with a \$1,000 deductible clause. The District maintains coverage for its vehicles in a maximum amount of \$2,000,000 a \$100 deductible for comprehensive and \$250 deductible for collision. In addition, the District maintains liability coverage as follows: \$2,000,000 for buses, single limit: \$2,000,000 for premises; and \$5,000,000 professional liability in aggregate. The settled claims have never exceeded the commercial coverage. There has not been a significant reduction in coverage from the prior year.

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

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

For fiscal year 2002, 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 participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 7. Risk Management (continued)

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.

Effective January 1, 2001, the District provides 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. The claims liability of \$21,744 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Government Accounting Standards Board Statement No. 10 which requires that the liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses (GASB 30). Changes in claim activity are as follows:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2002	51,549	306,665	336,470	21,744

Effective October 1, 2001 the District fully funded premium plan for benefits through the Suburban Health Consortium for medical/surgical coverage.

The District cash and investments balance in the Self Insurance Fund is \$656,834 as of June 30, 2002.

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

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002 (the latest information available), 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of

Polaris Joint Vocational School District
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Notes to the General Purpose Financial Statements
June 30, 2002

Note 8. Defined Benefit Pension Plans (continued)

plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$438,782, \$397,810 and \$371,554, respectively; 97 percent has been contributed for fiscal year 2002 and 100 percent has been contributed for fiscal years 2001 and 2000. \$11,760 in surcharge liability is recorded in the general long term debt group. The District pays pension fund obligations when incurred.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. 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, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2002, (the latest information available), 6 percent was used to fund pension obligations. 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 required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$924,641, \$819,828 and \$687,545, respectively; 100 percent has been contributed for fiscal years 2002, 2001 and 2000. The District pays pension fund obligations when incurred.

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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$297,206 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 9. Postemployment Benefits (continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits during the 2002 year, including the surcharge, equaled \$279,417.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants 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.

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 337 days for classified employees and 337 days for certified employees.

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 10. Compensated Absences (continued)

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 four (94) days.

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

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

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 ninety-four (94) days. Severance pay is a per diem based upon the employee's hourly rate at retirement, times the hours worked per day. The word retirement as used shall be limited exclusively to mean full permanent service retirement with regard to age and years of service under the School Employees Retirement System. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the employee.

Note 11. Interfund Transactions

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

	Transfers-In	Transfers-Out
General Fund	\$0	\$572,525
Special Revenue	19,968	0
Enterprise	552,557	0
	\$572,525	\$572,525

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 11. Interfund Transactions (continued)

At June 30, 2002, 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 \$	425,518	\$ 0
Special Revenue Funds	0	380,738
Capital Project	0	2,500
Enterprise Funds	0	42,280
	\$ 425,518	\$ 425,518

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, 2002.

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, 2002, are as follows:

	Balance		Balance
	July 1, 2001	Net Change	June 30, 2002
Intergovernmental Payable	\$1,890	(799)	\$1,091
Lease Obligations Payable	81,739	(76,255)	5,484
Compensated Absences Payable	694,928	683,395	1,378,323
	\$778,557	606,341	\$1,384,898

**Polaris Joint Vocational School District
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Notes to the General Purpose Financial Statements
June 30, 2002**

Note 13. General Long-Term Obligations (continued)

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%.

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

	Principal	Interest
FY 2003	<u>\$5,484</u>	<u>\$22</u>

Note 14. Segment Information for Enterprise Funds

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Consumer Service Fund	Adult Education Fund	Total
Operating Revenues	\$183,151	60,523	165,245	2,404,737	\$2,813,656
Operating Expenses:					
Depreciation	4,939	0	0	23,656	28,595
Other Expenses	239,574	63,990	157,411	3,423,044	3,884,019
Total Operating Expenses	<u>244,513</u>	<u>63,990</u>	<u>157,411</u>	<u>3,446,700</u>	<u>3,912,614</u>
Operating Income (loss)	(61,362)	(3,467)	7,834	(1,041,963)	(1,098,958)
Non Operating Revenues					
Miscellaneous	0	0	625	0	625
Operating Grants	21,718	0	0	466,973	488,691
Transfers In	51,204	0	0	501,353	552,557
Non Operating Expenses					
Loss on the Sale of Assets	0	0	0	(31,219)	(31,219)
Net Income (loss)	<u>\$11,560</u>	<u>(3,467)</u>	<u>8,459</u>	<u>(104,856)</u>	<u>\$(88,304)</u>
Net Working Capital	<u>\$10,967</u>	<u>5,312</u>	<u>48,234</u>	<u>(169,139)</u>	<u>\$(104,626)</u>
Total Assets	<u>\$97,771</u>	<u>5,312</u>	<u>93,852</u>	<u>389,498</u>	<u>\$586,433</u>
Total Retained Earnings	<u>\$83,862</u>	<u>5,312</u>	<u>48,234</u>	<u>4,416</u>	<u>\$141,824</u>

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 15. Jointly Governed Organization

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. This jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Governing Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2002 the District paid \$800 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

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

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

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 16. 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.

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

	Textbook Acquisition	Capital Acquisition	Budget Stabilization
Set aside Cash Balance as of June 30, 2001	\$ (20,656)	\$ 0	\$ 241,244
Current Year Set-Aside Requirement	82,269	82,269	0
Qualifying Disbursements	(761,219)	(531,825)	0
Cash Balance Carried Forward to FY2003	<u>\$ (699,606)</u>	<u>\$ (449,556)</u>	<u>\$ 241,244</u>

Although the District had qualifying expenditures for capital maintenance during the year that reduced the set-aside amounts below zero, this extra amount may not be used to reduce the set-aside requirements of future years. However, the amount spend on textbooks can be carried forward to reduce the set-aside requirements of future years.

Note 17. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**Polaris Joint Vocational School District
Cuyahoga County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 18. Fund Deficits

The following fund had a deficit balance at June 30, 2002:

Alliance Grant 2002	\$(2,147)
Adult Education Fund	\$(1,798)

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

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

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>Pass Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$6,115	\$0	\$6,115
National School Lunch Program	050948 04-PU-00	10.555	14,237	0	14,237	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>14,237</u>	<u>6,115</u>	<u>14,237</u>	<u>6,115</u>
<u>U.S. Department of Education</u>						
<i>Direct Program</i>						
Pell Grant	09048 RH-00 00	84.063	42,634	0	45,393	0
Technology Innovation Challenge Grant - Alliance Grant		84.303A	1,962,176	0	1,624,594	0
Total Direct Payment Programs			<u>2,004,810</u>	<u>0</u>	<u>1,669,987</u>	<u>0</u>
<i>Pass Through the Ohio Department of Education</i>						
Innovative Education Program Strategy	050948-C2-S1 00	84.298	2,076	0	0	0
Vocational Education:						
Basic Grants to States	050948-20-C1 01	84.048	23,865	0	31,210	0
	050948 20-C1 02		75,897	0	252,868	0
	050948 C2 01		26,894	0	0	0
	050948-20-C2 02		50,816	0	162,932	0
Adult Basic Literacy Education	050948-AB-S2-02-P	84.002	39,160	0	39,160	0
	050948-AB-S1-01-C		12,637	0	12,637	0
	050948-AB-S1-01		29,581	0	0	0
Total Vocational Education			<u>260,926</u>	<u>0</u>	<u>498,807</u>	<u>0</u>
Total U.S. Department of Education			<u>2,265,736</u>	<u>0</u>	<u>2,168,794</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$2,279,973</u>	<u>\$6,115</u>	<u>\$2,183,031</u>	<u>\$6,115</u>

The notes to the federal awards expenditures are an integral part of this schedule.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

CFDA – Catalog of Federal Domestic Assistance

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the Community School's federal awards programs. The schedule has been prepared on the cash basis of accounting.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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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, 2002, and have issued our report thereon dated December 10, 2002, wherein we noted the District restated the June 30, 2001 fixed asset balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 10, 2002.

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.

This report is intended for the information and use of the audit committee, management, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 10, 2002



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL PROGRAMS 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 the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Polaris Joint Vocational School, Cuyahoga County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

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.

Polaris Joint Vocational School District
Cuyahoga County
Report on Compliance With Requirements Applicable to Major
Federal Programs and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

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.

This report is intended for the information and use of management, audit committee 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 10, 2002

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2002
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505**

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 CFDA # 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

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2002
SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10818-001	Appropriations exceeded by expenditures plus encumbrances	Yes	Finding No Longer Valid: Tests of fiscal year 2002 noted no instances of noncompliance with this requirement.



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POLARIS JOINT VOCATIONAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**