



Dave Yost • Auditor of State



**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget Basis (Non-GAAP) and Actual – General Fund.....	16
Statement of Fund Net Assets – Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets- Private Purpose Trust Fund.....	22
Notes to the Basic Financial Statements.....	23
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	49
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133.....	51
Schedule of Findings.....	53
Schedule of Prior Audit Findings.....	54
Independent Accountants' Report on Applying Agreed-Upon Procedure.....	55

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio (the Center), as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Center implemented Governmental Accounting Standards Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 5, 2012

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

---

The discussion and analysis of the Polaris Career Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

### **Financial Highlights**

Key financial highlights for 2011 are as follows:

- In fiscal year 2011, the Center finished a \$3.4 million House Bill 264 energy savings project. The future energy cost savings is estimated at approximately \$300,000 per year.
- The phase out of the tangible personal property reimbursement will decrease revenues in the future.
- The Center's enrollment has stabilized, State funding has not increased in proportion, as the Center is on the transitional aid guarantee. This guarantee provides a level of funding that does not increase with increased enrollment.

### **Using this Annual Financial Report**

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

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

### **Reporting the Center as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

---

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

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

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

***Reporting the Center's Most Significant Funds***

***Fund Financial Statements***

The analysis of the Center's funds begins on page 7. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's only major governmental fund is the general fund. The Center's only major business-type fund is the adult and community education fund.

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

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

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

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**The Center as a Trustee**

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

**The Center as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2011 compared to 2010.

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$16,528,893	\$17,847,727	\$525,479	\$130,851	\$17,054,372	\$17,978,578
Capital Assets, Net	7,314,999	7,259,644	83,163	83,889	7,398,162	7,343,533
<i>Total Assets</i>	<u>23,843,892</u>	<u>25,107,371</u>	<u>608,642</u>	<u>214,740</u>	<u>24,452,534</u>	<u>25,322,111</u>
<b>Liabilities</b>						
Current and Other Liabilities	8,806,015	8,816,249	131,238	181,092	8,937,253	8,997,341
Long Term Liabilities:						
Due Within One Year	715,071	671,647	87,686	106,605	802,757	778,252
Due in More than One Year	1,050,043	794,604	71,036	10,836	1,121,079	805,440
<i>Total Liabilities</i>	<u>10,571,129</u>	<u>10,282,500</u>	<u>289,960</u>	<u>298,533</u>	<u>10,861,089</u>	<u>10,581,033</u>
<b>Net Assets</b>						
Invested in Capital Assets	7,314,999	7,259,644	83,163	83,889	7,398,162	7,343,533
Restricted:						
Capital Projects	0	595,470	0	0	0	595,470
Set Asides	241,244	241,244	0	0	241,244	241,244
Other Purposes	240,210	1,228	0	0	240,210	1,228
Unrestricted (Deficit)	5,476,310	6,727,285	235,519	(167,682)	5,711,829	6,559,603
<i>Total Net Assets (Deficit)</i>	<u>\$13,272,763</u>	<u>\$14,824,871</u>	<u>\$318,682</u>	<u>(\$83,793)</u>	<u>\$13,591,445</u>	<u>\$14,741,078</u>

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

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**(Table 2)**  
**Changes in Net Assets**

	Governmental		Business-Type		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$150,079	\$158,225	\$2,597,393	\$2,254,533	\$2,747,472	\$2,412,758
Operating Grants	1,064,672	655,623	336,999	326,680	1,401,671	982,303
<i>Total Program Revenues</i>	<u>1,214,751</u>	<u>813,848</u>	<u>2,934,392</u>	<u>2,581,213</u>	<u>4,149,143</u>	<u>3,395,061</u>
General Revenues:						
Property Taxes	9,308,401	9,448,906	0	0	9,308,401	9,448,906
Grant and Entitlements not Restricted to Specific Programs	4,537,376	4,473,036	0	0	4,537,376	4,473,036
Investment Earnings	81,637	178,903	0	0	81,637	178,903
Other	46,294	52,057	51,832	76,123	98,126	128,180
<i>Total General Revenues</i>	<u>13,973,708</u>	<u>14,152,902</u>	<u>51,832</u>	<u>76,123</u>	<u>14,025,540</u>	<u>14,229,025</u>
<i>Total Revenues</i>	<u>15,188,459</u>	<u>14,966,750</u>	<u>2,986,224</u>	<u>2,657,336</u>	<u>18,174,683</u>	<u>17,624,086</u>
<b>Program Expenses</b>						
Instruction:						
Vocational	7,527,237	6,912,010	0	0	7,527,237	6,912,010
Adult/Continuing	230,138	156,435	0	0	230,138	156,435
Support Services:						
Pupil	2,182,424	1,926,961	0	0	2,182,424	1,926,961
Instructional Staff	1,641,319	1,725,278	0	0	1,641,319	1,725,278
Board of Education	126,622	119,605	0	0	126,622	119,605
Administration	946,810	794,987	0	0	946,810	794,987
Fiscal	745,425	731,938	0	0	745,425	731,938
Business	78,597	251,627	0	0	78,597	251,627
Operation and Maintenance of Plant	1,663,313	1,781,417	0	0	1,663,313	1,781,417
Pupil Transportation	18,520	28,212	0	0	18,520	28,212
Central	1,511,024	1,128,764	0	0	1,511,024	1,128,764
Extracurricular Activities	48,084	38,059	0	0	48,084	38,059
Food Service Operations	0	0	10,975	128,843	10,975	128,843
Uniform School Supplies	0	0	83,071	102,810	83,071	102,810
Customer Services	0	0	325,057	219,551	325,057	219,551
Adult and Community Education	0	0	2,185,700	2,268,310	2,185,700	2,268,310
<i>Total Expenses</i>	<u>16,719,513</u>	<u>15,595,293</u>	<u>2,604,803</u>	<u>2,719,514</u>	<u>19,324,316</u>	<u>18,314,807</u>
<i>Increase (Decrease) in Net Assets before Transfers</i>	<u>(1,531,054)</u>	<u>(628,543)</u>	<u>381,421</u>	<u>(62,178)</u>	<u>(1,149,633)</u>	<u>(690,721)</u>
Transfers	(21,054)	(125,888)	21,054	125,888	0	0
<i>Changes in Net Assets</i>	<u>(1,552,108)</u>	<u>(754,431)</u>	<u>402,475</u>	<u>63,710</u>	<u>(1,149,633)</u>	<u>(690,721)</u>
Net Assets (Deficit) Beginning of Year	14,824,871	15,579,302	(83,793)	(147,503)	14,741,078	15,431,799
Net Assets (Deficit) End of Year	<u>\$13,272,763</u>	<u>\$14,824,871</u>	<u>\$318,682</u>	<u>(\$83,793)</u>	<u>\$13,591,445</u>	<u>\$14,741,078</u>

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Analysis of Overall Financial Position and Results of Operation**

The Center continues to look for ways to keep expenditures in line with revenues. Revenues were slightly higher in fiscal year 2011 than in the prior fiscal year due to increased grant monies.

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

**(Table 3)**  
**Governmental Activities**

Programs	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction:				
Vocational	\$7,527,237	(\$7,167,311)	\$6,912,010	(\$6,640,685)
Adult/Continuing	230,138	145,671	156,435	(19,310)
Support Services:				
Pupil	2,182,424	(2,074,137)	1,926,961	(1,736,479)
Instructional Staff	1,641,319	(1,321,294)	1,725,278	(1,560,235)
Board of Education	126,622	(125,258)	119,605	(118,418)
Administration	946,810	(937,573)	794,987	(787,093)
Fiscal	745,425	(737,402)	731,938	(724,672)
Business	78,597	(77,751)	251,627	(249,127)
Operation and Maintenance of Plant	1,663,313	(1,647,192)	1,781,417	(1,761,948)
Pupil Transportation	18,520	(18,321)	28,212	(27,932)
Central	1,511,024	(1,496,625)	1,128,764	(1,117,866)
Extracurricular Activities	48,084	(47,569)	38,059	(37,680)
Total Expenses	<u>\$16,719,513</u>	<u>(\$15,504,762)</u>	<u>\$15,595,293</u>	<u>(\$14,781,445)</u>

**The Center's Funds**

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$14,942,248 a slight increase from the prior fiscal year, and expenditures of \$16,476,005 which were slightly lower than the prior fiscal year. The overall fund balance decreased in 2011 by 18.8 percent. Balances are expected to be drawn down during the next five-year projection as inflation on the Center's normal operating expenditures will exceed revenues, which are expected to decline.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the Center amended its general fund budget monthly as defined by individual team needs. The Center uses an electronic budgeting process to submit requests for inclusion in the June appropriation submission to the Board.

The final general fund appropriations were \$16,949,785, and the actual expenditures amounted to \$15,593,895.

**Polaris Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Capital Assets**

At the end of fiscal year 2011 the Center had \$7,398,162 invested in land, buildings and improvements, furniture and equipment, and vehicles. \$7,314,999 was in governmental activities. Table 4 shows fiscal 2011 balances compared to 2010.

**(Table 4)**  
**Capital Assets at June 30, 2011**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$261,490	\$261,490	\$0	\$0	\$261,490	\$261,490
Construction in Progress	0	1,495,313	0	0	0	1,495,313
Buildings and Improvements	5,760,713	4,019,375	0	0	5,760,713	4,019,375
Furniture and Equipment	1,292,796	1,483,073	83,163	83,889	1,375,959	1,566,962
Vehicles	0	393	0	0	0	393
<b>Total</b>	<b>\$7,314,999</b>	<b>\$7,259,644</b>	<b>\$83,163</b>	<b>\$83,889</b>	<b>\$7,398,162</b>	<b>\$7,343,533</b>

The increase was the result of the completion of the House Bill 264 Project. Please see Note 11 for more information.

**Center Outlook**

Most of the Center's efforts are focused on controlling expenditures. Reduction of capital purchases and staffing are first priorities. Negotiations in fiscal year 2010 contained staff compensation and fringe benefits by settling at competitive wages offset by implementing working spouse language on medical and prescription drug plans. The membership in a multi-School District health consortium has held rate increases below trends in health care.

For years the Center has benefited from being at the two mill floor during rising property valuations. The inflation every third year allowed the Center to not be on the ballot for more millage. 2009 valuations were reduced by 8.7 percent and the millage was rolled up to 2.40. This led to no current loss in revenue, but revenues from the largest revenue source are anticipated to be flat for at least nine years due to the economy and the three year cycle of reappraisals and updates of property tax values. Short term the Center will control expenditures and draw on its carryover balance to offset expenses exceeding revenue. Funding from the State of Ohio in the next budget cycle beginning in July 2011 is a major concern.

**Contacting the Center's Financial Management**

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

**Polaris Career Center**  
*Statement of Net Assets*  
*June 30, 2011*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,863,060	\$562,539	\$7,425,599
Accrued Interest Receivable	12,754	0	12,754
Accounts Receivable	802	5,220	6,022
Intergovernmental Receivable	223,232	0	223,232
Internal Balance	42,280	(42,280)	0
Materials and Supplies Inventory	29,095	0	29,095
Property Taxes Receivable	9,357,670	0	9,357,670
Nondepreciable Capital Assets	261,490	0	261,490
Depreciable Capital Assets, Net	7,053,509	83,163	7,136,672
<i>Total Assets</i>	<u>23,843,892</u>	<u>608,642</u>	<u>24,452,534</u>
<b>Liabilities</b>			
Accounts Payable	29,401	6,320	35,721
Accrued Wages and Benefits Payable	1,358,152	96,235	1,454,387
Intergovernmental Payable	266,840	28,683	295,523
Deferred Revenue	7,132,613	0	7,132,613
Matured Compensated Absences Payable	18,759	0	18,759
Matured Interest Payable	250	0	250
Long-Term Liabilities:			
Due Within One Year	715,071	87,686	802,757
Due in More Than One Year	1,050,043	71,036	1,121,079
<i>Total Liabilities</i>	<u>10,571,129</u>	<u>289,960</u>	<u>10,861,089</u>
<b>Net Assets</b>			
Invested in Capital Assets	7,314,999	83,163	7,398,162
Restricted for:			
Set Asides	241,244	0	241,244
Other Purposes	240,210	0	240,210
Unrestricted	5,476,310	235,519	5,711,829
<i>Total Net Assets</i>	<u>\$13,272,763</u>	<u>\$318,682</u>	<u>\$13,591,445</u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction:			
Vocational	\$7,527,237	\$65,250	\$294,676
Adult/Continuing	230,138	0	375,809
Support Services:			
Pupil	2,182,424	20,336	87,951
Instructional Staff	1,641,319	13,789	306,236
Board of Education	126,622	1,364	0
Administration	946,810	9,237	0
Fiscal	745,425	8,023	0
Business	78,597	846	0
Operation and Maintenance of Plant	1,663,313	16,121	0
Pupil Transportation	18,520	199	0
Central	1,511,024	14,399	0
Extracurricular Activities	48,084	515	0
<i>Total Governmental Activities</i>	<u>16,719,513</u>	<u>150,079</u>	<u>1,064,672</u>
<b>Business-Type Activities</b>			
Food Service Operations	10,975	844	4,301
Uniform School Supplies	83,071	66,036	0
Customer Services	325,057	323,565	0
Adult and Community Education	2,185,700	2,206,948	332,698
<i>Total Business-Type Activities</i>	<u>2,604,803</u>	<u>2,597,393</u>	<u>336,999</u>
<i>Totals</i>	<u>\$19,324,316</u>	<u>\$2,747,472</u>	<u>\$1,401,671</u>

**General Revenues**

Property Taxes Levied for General Purposes

Grants and Entitlements not

    Restricted to Specific Programs

Investment Earnings

Other

Total General Revenues

Transfers

*Total General Revenues and Transfers*

*Change in Net Assets*

*Net Assets (Deficit) Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$7,167,311)	\$0	(\$7,167,311)
145,671	0	145,671
(2,074,137)	0	(2,074,137)
(1,321,294)	0	(1,321,294)
(125,258)	0	(125,258)
(937,573)	0	(937,573)
(737,402)	0	(737,402)
(77,751)	0	(77,751)
(1,647,192)	0	(1,647,192)
(18,321)	0	(18,321)
(1,496,625)	0	(1,496,625)
(47,569)	0	(47,569)
<u>(15,504,762)</u>	<u>0</u>	<u>(15,504,762)</u>
0	(5,830)	(5,830)
0	(17,035)	(17,035)
0	(1,492)	(1,492)
<u>0</u>	<u>353,946</u>	<u>353,946</u>
<u>0</u>	<u>329,589</u>	<u>329,589</u>
<u>(15,504,762)</u>	<u>329,589</u>	<u>(15,175,173)</u>
9,308,401	0	9,308,401
4,537,376	0	4,537,376
81,637	0	81,637
<u>46,294</u>	<u>51,832</u>	<u>98,126</u>
13,973,708	51,832	14,025,540
<u>(21,054)</u>	<u>21,054</u>	<u>0</u>
<u>13,952,654</u>	<u>72,886</u>	<u>14,025,540</u>
(1,552,108)	402,475	(1,149,633)
<u>14,824,871</u>	<u>(83,793)</u>	<u>14,741,078</u>
<u>\$13,272,763</u>	<u>\$318,682</u>	<u>\$13,591,445</u>

**Polaris Career Center**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,097,930	\$523,886	\$6,621,816
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	241,244	0	241,244
Accounts Receivable	802	0	802
Interfund Receivable	42,280	0	42,280
Intergovernmental Receivable	0	223,232	223,232
Accrued Interest Receivable	12,754	0	12,754
Materials and Supplies Inventory	29,095	0	29,095
Property Taxes Receivable	9,357,670	0	9,357,670
<i>Total Assets</i>	<u>\$15,781,775</u>	<u>\$747,118</u>	<u>\$16,528,893</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$29,401	\$0	\$29,401
Accrued Wages and Benefits Payable	1,356,019	2,133	1,358,152
Intergovernmental Payable	263,258	3,582	266,840
Deferred Revenue	7,917,778	223,232	8,141,010
Matured Compensated Absences Payable	18,759	0	18,759
Matured Interest Payable	0	250	250
<i>Total Liabilities</i>	<u>9,585,215</u>	<u>229,197</u>	<u>9,814,412</u>
<b>Fund Balances</b>			
Nonspendable	29,095	0	29,095
Restricted	0	17,626	17,626
Assigned	0	501,928	501,928
Unassigned (Deficit)	6,167,465	(1,633)	6,165,832
<i>Total Fund Balances</i>	<u>6,196,560</u>	<u>517,921</u>	<u>6,714,481</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$15,781,775</u>	<u>\$747,118</u>	<u>\$16,528,893</u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2011*

---

<b>Total Governmental Fund Balances</b>	\$6,714,481
---	-------------

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,314,999
---	-----------

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes	785,165
Grants	<u>223,232</u>

Total	1,008,397
-------	-----------

Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,765,114)</u>
---	--------------------

<i>Net Assets of Governmental Activities</i>	<u><u>\$13,272,763</u></u>
--	----------------------------

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$9,285,422	\$0	\$9,285,422
Intergovernmental	4,537,376	841,440	5,378,816
Interest	81,637	0	81,637
Tuition and Fees	140,249	0	140,249
Rentals	9,830	0	9,830
Miscellaneous	46,294	0	46,294
<i>Total Revenues</i>	<u>14,100,808</u>	<u>841,440</u>	<u>14,942,248</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Vocational	5,984,723	295,156	6,279,879
Adult/Continuing	0	230,690	230,690
Support Services:			
Pupil	1,786,567	88,094	1,874,661
Instructional Staff	1,273,359	197,030	1,470,389
Board of Education	126,622	0	126,622
Administration	796,504	0	796,504
Fiscal	718,193	0	718,193
Business	74,155	0	74,155
Operation and Maintenance of Plant	1,486,447	0	1,486,447
Pupil Transportation	18,520	0	18,520
Central	1,319,668	0	1,319,668
Extracurricular Activities	48,084	0	48,084
Capital Outlay	1,938,651	93,542	2,032,193
<i>Total Expenditures</i>	<u>15,571,493</u>	<u>904,512</u>	<u>16,476,005</u>
<i>Excess of Revenues Under Expenditures</i>	(1,470,685)	(63,072)	(1,533,757)
<b>Other Financing Uses</b>			
Transfers Out	(21,054)	0	(21,054)
<i>Net Change in Fund Balances</i>	(1,491,739)	(63,072)	(1,554,811)
<i>Fund Balances Beginning of Year</i>	<u>7,688,299</u>	<u>580,993</u>	<u>8,269,292</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,196,560</u></u>	<u><u>\$517,921</u></u>	<u><u>\$6,714,481</u></u>

See accompanying notes to the basic financial statements

**Polaris Career Center**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

---

---

**Net Change in Fund Balances -Total Governmental Funds** (\$1,554,811)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities,  
the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	592,780	
Current Year Depreciation	<u>(537,425)</u>	
Total		55,355

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

Delinquent Property Taxes	22,979	
Intergovernmental	<u>223,232</u>	
Total		246,211

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

(298,863)

*Change in Net Assets of Governmental Activities*

(\$1,552,108)

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$8,190,389	\$8,366,418	\$9,218,672	\$852,254
Intergovernmental	4,031,261	4,117,901	4,537,376	419,475
Interest	61,630	62,954	69,367	6,413
Tuition and Fees	124,605	127,283	140,249	12,966
Rentals	8,734	8,921	9,830	909
Miscellaneous	40,487	41,360	46,190	4,830
<i>Total Revenues</i>	<u>12,457,106</u>	<u>12,724,837</u>	<u>14,021,684</u>	<u>1,296,847</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Vocational	6,299,667	6,219,915	5,853,976	365,939
Support Services:				
Pupil	1,848,027	1,843,868	1,726,198	117,670
Instructional Staff	1,478,469	1,493,847	1,345,876	147,971
Board of Education	177,170	207,170	155,113	52,057
Administration	885,395	885,395	831,957	53,438
Fiscal	729,631	729,631	707,905	21,726
Business	107,491	107,491	101,224	6,267
Operation and Maintenance of Plant	1,605,491	1,609,491	1,504,063	105,428
Pupil Transportation	12,667	18,813	18,813	0
Central	1,814,295	1,815,522	1,360,775	454,747
Extracurricular Activities	44,275	51,072	48,184	2,888
Capital Outlay	1,947,207	1,967,570	1,939,811	27,759
<i>Total Expenditures</i>	<u>16,949,785</u>	<u>16,949,785</u>	<u>15,593,895</u>	<u>1,355,890</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(4,492,679)</u>	<u>(4,224,948)</u>	<u>(1,572,211)</u>	<u>2,652,737</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(175,000)	(175,000)	(21,054)	153,946
Advances In	70,549	70,549	70,549	0
<i>Total Other Financing Sources (Uses)</i>	<u>(104,451)</u>	<u>(104,451)</u>	<u>49,495</u>	<u>153,946</u>
<i>Net Change in Fund Balances</i>	<u>(4,597,130)</u>	<u>(4,329,399)</u>	<u>(1,522,716)</u>	<u>2,806,683</u>
<i>Fund Balance Beginning of Year</i>	<u>6,914,669</u>	<u>6,914,669</u>	<u>6,914,669</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>787,762</u>	<u>787,762</u>	<u>787,762</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,105,301</u>	<u>\$3,373,032</u>	<u>\$6,179,715</u>	<u>\$2,806,683</u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2011

	Business-Type Activites - Enterprise Funds		
	Adult and Community Education	Non-Major Enterprise Funds	Total
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$404,388	\$158,151	\$562,539
Accounts Receivable	0	5,220	5,220
<i>Total Current Assets</i>	404,388	163,371	567,759
<i>Noncurrent Assets</i>			
Depreciable Capital Assets, Net	64,692	18,471	83,163
<i>Total Assets</i>	469,080	181,842	650,922
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	2,615	3,705	6,320
Accrued Wages and Benefits Payable	96,235	0	96,235
Intergovernmental Payable	27,791	892	28,683
Interfund Payable	0	42,280	42,280
Compensated Absences Payable	87,686	0	87,686
<i>Total Current Liabilities</i>	214,327	46,877	261,204
<i>Long-Term Liabilities</i>			
Compensated Absences Payable	71,036	0	71,036
<i>Total Liabilities</i>	285,363	46,877	332,240
<b>Net Assets</b>			
Invested in Capital Assets	64,692	18,471	83,163
Unrestricted	119,025	116,494	235,519
<i>Total Net Assets</i>	\$183,717	\$134,965	318,682

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2011*

	Business-Type Activities - Enterprise Funds		
	Adult and Community Education	Nonmajor Enterprise Funds	Totals
<b>Operating Revenues</b>			
Charges for Services	\$0	\$301,629	\$301,629
Tuition and Fees	2,206,928	21,936	2,228,864
Sales	20	66,880	66,900
Miscellaneous	2,006	49,826	51,832
<i>Total Operating Revenues</i>	<u>2,208,954</u>	<u>440,271</u>	<u>2,649,225</u>
<b>Operating Expenses</b>			
Salaries	1,335,804	14,775	1,350,579
Fringe Benefits	331,313	4,206	335,519
Purchased Services	255,783	62	255,845
Materials and Supplies	246,799	387,967	634,766
Depreciation	12,406	2,800	15,206
Other	3,595	9,293	12,888
<i>Total Operating Expenses</i>	<u>2,185,700</u>	<u>419,103</u>	<u>2,604,803</u>
<i>Operating Income</i>	23,254	21,168	44,422
<b>Non-Operating Revenues</b>			
Federal and State Subsidies	332,698	4,301	336,999
<i>Income Before Transfers</i>	355,952	25,469	381,421
Transfers In	0	21,054	21,054
<i>Change in Net Assets</i>	355,952	46,523	402,475
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(172,235)</u>	<u>88,442</u>	<u>(83,793)</u>
<i>Net Assets End of Year</i>	<u>\$183,717</u>	<u>\$134,965</u>	<u>\$318,682</u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Adult and Community Education</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$2,206,948	\$390,344	\$2,597,292
Cash Received from Other Operating Revenues	2,800	54,110	56,910
Cash Payments to Suppliers for Goods and Services	(515,419)	(388,852)	(904,271)
Cash Payments to Employees for Services	(1,313,250)	(41,178)	(1,354,428)
Cash Payments for Employee Benefits	(323,422)	(8,471)	(331,893)
Cash Payments for Other Operating Expenses	(3,595)	(9,293)	(12,888)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>54,062</u>	<u>(3,340)</u>	<u>50,722</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Federal and State Subsidies	332,698	4,301	336,999
Transfers In	0	21,054	21,054
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>332,698</u>	<u>25,355</u>	<u>358,053</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments for Capital Acquisitions	(14,480)	0	(14,480)
<i>Net Increase in Cash and Cash Equivalents</i>	372,280	22,015	394,295
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>32,108</u>	<u>136,136</u>	<u>168,244</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$404,388</u>	<u>\$158,151</u>	<u>\$562,539</u>

**Polaris Career Center**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Adult and Community Education</u>	<u>Non-Major Enterprise Funds</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>			
<i>Operating Income</i>	<u>\$23,254</u>	<u>\$21,168</u>	<u>\$44,422</u>
<i>Adjustments:</i>			
Depreciation	12,406	2,800	15,206
<i>(Increase)/Decrease in Assets:</i>			
Accounts Receivable	794	(1,961)	(1,167)
Inventory Held for Resale	0	834	834
<i>Increase/(Decrease) in Liabilities:</i>			
Accounts Payable	2	3,621	3,623
Accrued Wages and Benefits Payable	22,456	(9,604)	12,852
Compensated Absences Payable	(12,837)	(16,799)	(29,636)
Intergovernmental Payable	7,987	(3,399)	4,588
<i>Total Adjustments</i>	<u>30,808</u>	<u>(24,508)</u>	<u>6,300</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$54,062</u></u>	<u><u>(\$3,340)</u></u>	<u><u>\$50,722</u></u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	
	Special Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$13,725	\$69,971
<b>Liabilities</b>		
Due to Others	0	\$35,906
Due to Students	0	34,065
<i>Total Liabilities</i>	0	\$69,971
<b>Net Assets</b>		
Held in Trust for Scholarships	\$13,725	

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2011*

---

---

	<u>Special Trust</u>
<b>Additions</b>	
Contributions and Donations	\$12,953
<b>Deductions</b>	
Scholarships Awarded	<u>6,333</u>
<i>Change in Net Assets</i>	6,620
<i>Net Assets Beginning of Year</i>	<u>7,105</u>
<i>Net Assets End of Year</i>	<u><u>\$13,725</u></u>

See accompanying notes to the basic financial statements

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**Note 1 - Description of the Center and Reporting Entity**

The Polaris Career Center (the “Center”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Center is a joint vocational Center as defined by Section 3311.18 of the Ohio Revised Code. The Center operates under a Board of Education consisting of seven members which is comprised of one board member from each of the elected boards of the participating Centers. Members serve a two year term except for one rotating member picked by the member Centers to serve a one year term. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City School District, Olmsted Falls City School District, and Strongsville City School District are the member districts. The Center employs 10 administrative and supervisory personnel, 67 certified employees and 56 non-certificated employees who provide services to 638 students and other community members.

***Reporting Entity***

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

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

The Center participates in a jointly governed organization and two public entity risk pools. The jointly governed organization is the Ohio Schools Council Association and the public entity risk pools are the Ohio School Boards Association Workers’ Compensation Group Rating Program and the Suburban Health Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

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

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

**Fund Accounting**

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

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

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

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

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

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

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

**Measurement Focus**

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

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

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

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Basis of Accounting***

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

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

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Budgetary Process***

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

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

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

***Cash and Investments***

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

During fiscal year 2011, investments were limited to a repurchase agreement and STAR Ohio. Nonparticipating investment contracts such as the repurchase agreement are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$81,637 which includes \$6,232 assigned from other Center funds.

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent amounts required by State statute to be set aside for budget stabilization. See Note 19 for additional information regarding set-asides.

***Inventory***

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

***Capital Assets***

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

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

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

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

***Interfund Balances***

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Compensated Absences***

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

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

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

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

***Accrued Liabilities and Long-Term Obligations***

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

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

***Net Assets***

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

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Center Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

***Operating Revenues and Expenses***

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Internal Activity***

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

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The Center did not have extraordinary or special items during the fiscal year.

***Estimates***

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

**Note 3 – Change in Accounting Principles**

For fiscal year 2011, the Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any change in the Center’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the Center’s financial statements.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**Note 4 – Compliance and Accountability**

***Compliance***

Contrary to Section 5705.41(B), Ohio Revised Code, the rotary special services business-type fund had expenditures in excess of final appropriations in the amount of \$8,411. Although the budgetary violation was not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

***Accountability***

At June 30, 2011, the management information systems and vocational education special revenue funds had fund deficits of \$46 and \$1,587, respectively. The deficit balance resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Investments reported at cost (budget basis) rather than fair value (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

Net Change in Fund Balance

GAAP Basis	(\$1,491,739)
Net Adjustment for Revenue Accruals	(79,608)
Advances In	70,549
Beginning Fair Value Adjustment for Investments	484
Net Adjustment for Expenditure Accruals	137,057
Encumbrances	<u>(159,459)</u>
Budget Basis	<u><u>(\$1,522,716)</u></u>

**Note 6 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,591,675 of the Center's bank balance of \$6,626,675 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

Investments

Investments are reported at fair value. As of June 30, 2011, the Center had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement		
Federal Home Loan Mortgage Corporation Notes	\$650,000	n/a
STAR Ohio	269,720	Average 58.3 days
Total Investments	<u>\$919,720</u>	

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

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

*Concentration of Credit Risk* The Center places no limit on the amount it may invest in any one issuer. The Federal Home Loan Mortgage Corporation Notes are 70.67 percent of the Center's investments as of June 30, 2011.

**Note 7 – Fund Balances**

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

Fund Balances	General	Nonmajor Governmental Funds	Total
<i><b>Nonspendable</b></i>			
Inventory	\$29,095	\$0	\$29,095
<i><b>Restricted for</b></i>			
Public School Preschool	0	168	168
Instructional Services	0	1,060	1,060
Adult Basic Education	0	16,398	16,398
<i>Total Restricted</i>	0	17,626	17,626
<i><b>Assigned to</b></i>			
Permanent Improvements	0	501,928	501,928
<i>Unassigned (Deficit)</i>	6,167,465	(1,633)	6,165,832
<i>Total Fund Balances</i>	\$6,196,560	\$517,921	\$6,714,481

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30.

The Center receives property taxes from Cuyahoga and Lorain Counties. The County Fiscal Officer and County Auditor periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance in the general fund was \$1,439,892 at June 30, 2011 and \$1,373,142 at June 30, 2010.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential/Agricultural	\$3,374,756,080	69.34 %	\$3,381,534,350	69.22 %
Commercial/Industrial	1,400,027,050	28.77	1,409,277,720	28.85
Tangible Personal Property:				
Public Utility	92,017,060	1.89	94,217,950	1.93
Total	<u>\$4,866,800,190</u>	<u>100.00 %</u>	<u>\$4,885,030,020</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$2.40		\$2.40	

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**Note 9 – Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables except for a portion of the delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

At June 30, 2011 the Center had an intergovernmental receivable of \$223,232 in the adult basic education special revenue fund for the ABLE instructional grant.

**Note 10 - Risk Management**

***Property and Liability***

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the Center contracted with Netherlands Insurance Company for the following insurance:

<u>Type</u>	<u>Coverage</u>
General Liability:	
Bodily Injury (Aggregate Limit)	\$3,000,000
General Annual Aggregate	3,000,000
Sexual Misconduct and Molestation Liability	1,000,000
Medical Expense Limit	5,000
Property	
Blanket Building and Contents	41,949,900
Automobile Liability:	
Hired and Non-owned Liability	1,000,000
Medical Payments	5,000
Uninsured/Underinsured Motorist	1,000,000

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

***Bonding***

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 Hylant Group.

***Workers' Compensation***

For fiscal year 2011, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

***Employee Health Benefits***

The Center participates in the Suburban Health Consortium, a shared risk pool (Note 18) to provide employee medical/surgical benefits, vision, prescription drug, and dental. Rates are set through an annual calculation process. The Center pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The Center's Board of Education pays the entire cost of a monthly premium for all full-time employees.

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

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

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Governmental Activities:				
Capital assets not being depreciated				
Land	\$261,490	\$0	\$0	\$261,490
Construction in progress	1,495,313	487,087	(1,982,400)	0
Total capital assets not being depreciated	<u>1,756,803</u>	<u>487,087</u>	<u>(1,982,400)</u>	<u>261,490</u>
Capital assets being depreciated				
Buildings and Improvements	12,800,892	1,982,400	0	14,783,292
Furniture and Equipment	5,355,328	105,693	0	5,461,021
Vehicles	274,954	0	0	274,954
Total capital assets being depreciated	<u>18,431,174</u>	<u>2,088,093</u>	<u>0</u>	<u>20,519,267</u>
Accumulated depreciation				
Buildings and Improvements	(8,781,517)	(241,062)	0	(9,022,579)
Furniture and Equipment	(3,872,255)	(295,970)	0	(4,168,225)
Vehicles	(274,561)	(393)	0	(274,954)
Total accumulated depreciation	<u>(12,928,333)</u>	<u>(537,425) *</u>	<u>0</u>	<u>(13,465,758)</u>
Capital assets being depreciated, net	<u>5,502,841</u>	<u>1,550,668</u>	<u>0</u>	<u>7,053,509</u>
Governmental activities capital assets, net	<u><u>\$7,259,644</u></u>	<u><u>\$2,037,755</u></u>	<u><u>(\$1,982,400)</u></u>	<u><u>\$7,314,999</u></u>

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Business-type activities:				
Equipment	\$503,862	\$14,480	\$0	\$518,342
Accumulated depreciation	(419,973)	(15,206) **	0	(435,179)
Business-type activities capital assets, net	<u>\$83,889</u>	<u>(\$726)</u>	<u>\$0</u>	<u>\$83,163</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$474,473
Support Services:	
Pupil	3,404
Instructional Staff	11,564
Administration	1,237
Fiscal	655
Business	299
Operation and Maintenance of Plant	12,012
Central	33,781
Total Depreciation Expense	<u>\$537,425</u>

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

Adult and Community Education	\$12,406
Rotary - Special Services	2,800
Total Depreciation Expense	<u>\$15,206</u>

## Note 12 – Defined Benefit Pension Plans

### *School Employees Retirement System*

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The Center’s required contributions for pension obligations to SERS for the fiscal years ended June

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

30, 2011, 2010, and 2009 were \$353,680, \$376,055 and \$264,386, respectively. For 2011, 94.68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$882,789 and \$26,934 for the fiscal year ended June 30, 2011, \$912,029 and \$37,464 for the fiscal year ended June 30, 2010, and \$852,602 and \$35,772 for the fiscal year ended June 30, 2009. For fiscal year 2011, 94.68 percent has been contributed for the DB plan and 2.05 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$28,479 made by the Center and \$20,342 made by the plan members. In addition, member contributions of \$19,238 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 13 - Postemployment Benefits**

***School Employees Retirement System***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the Center paid \$39,189 in surcharge.

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

The Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$104,774, \$98,865, and \$169,080, respectively. For 2011, 94.68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$22,760, \$22,363, and \$21,814 respectively. For 2011, 94.68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The Center contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$69,979, \$73,036, and \$68,336 respectively. For 2011, 84.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

## **Note 14 - Employee Benefits**

### ***Vacation Leave***

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

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

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

### ***Sick Leave***

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

### ***Retirement Severance Pay***

#### Certified Employees

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

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

Classified Employees

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

**Note 15 - Long-term Obligations**

The changes in the Center's long-term obligations during fiscal year 2011 were as follows:

	Outstanding 06/30/10	Additions	Reductions	Outstanding 06/30/11	Amount Due in One Year
<b>Governmental Activities</b>					
Compensated Absences	\$1,466,251	\$970,510	\$671,647	\$1,765,114	\$715,071
<b>Business-Type Activities</b>					
Compensated Absences	\$117,441	\$147,886	\$106,605	\$158,722	\$87,686

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

The Center's overall legal debt margin was \$439,652,702 with an unvoted debt margin of \$4,885,030 at June 30, 2011.

**Note 16 - Contingencies**

**Grants**

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2011.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

***Litigation***

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

**Note 17 - Jointly Governed Organization**

***Ohio Schools Council Association*** - The Ohio Schools Council (Council) is a jointly governed organization among 126 School Districts and Centers. The jointly governed organization was created by School Districts and Centers for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the Center paid \$418 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Center participates in the natural gas purchase program. This program allows the Center to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Center. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

**Note 18 – Public Entity Risk Pools**

***Ohio School Boards Association Workers' Compensation Group Rating Program***

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

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

***Suburban Health Consortium***

The Suburban Health Consortium is a shared risk pool created pursuant to State statute for the purpose of administrating health care benefits. The Council is governed by an assembly which consists of one representative from each participating Center (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The Assembly exercises control over the participating Centers/centers, based on the established premiums for the insurance plans. Each Center reserves the right to terminate the plan in whole or in part at any time for their Center. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**Note 19 - Set-Asides**

The Center is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the Center was also required to set aside money for budget stabilization. At June 30, 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Budget Stabilization	Capital Improvements	Textbook Instructional Materials
Set-aside Balance as of June 30, 2010	\$241,244	\$0	(\$3,765,816)
Current Year Set-aside Requirement	0	115,635	115,635
Qualifying Disbursements	<u>0</u>	<u>(1,938,651)</u>	<u>(348,629)</u>
Totals	<u>\$241,244</u>	<u>(\$1,823,016)</u>	<u>(\$3,998,810)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$241,244</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Balance as of June 30, 2011	<u>\$241,244</u>	<u>\$0</u>	<u>\$0</u>

The Center had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook set-aside. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. The negative balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirements of future years. The total balance for the three set-asides at the end of the fiscal year was \$241,244.

**Polaris Career Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**Note 20 - Interfund Transactions**

***Interfund Transfers***

The transfers from the general fund to the food service fund and uniform school supplies fund of \$4,682, and \$16,372, respectively, were made to move unrestricted balances to support programs and projects accounted for in other funds.

***Interfund Balances***

During fiscal year 2005, the general fund advanced \$42,280 to the rotary special services enterprise fund. The general fund advanced monies to the fund to cover costs. The advance is expected to be repaid within one year.

**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
National School Breakfast Program	2011	10.553	\$11,957	\$0	\$11,957	\$0
National School Lunch Program	2011	10.555	23,427	2,655	23,427	2,655
Total Nutrition Cluster			<u>35,384</u>	<u>2,655</u>	<u>35,384</u>	<u>2,655</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>35,384</b></u>	<u><b>2,655</b></u>	<u><b>35,384</b></u>	<u><b>2,655</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Direct Program</i>						
Student Financial Assistance Cluster:						
Federal Pell Grant Program	2011	84.063	546,882		546,882	
Federal Family Education Loan	2011	84.032	648,567		648,567	
Total Student Financial Assistance Cluster			<u>1,195,449</u>		<u>1,195,449</u>	
<i>Passed through the Ohio Department of Education</i>						
Adult Basic Literacy Education	2011	84.002	335,956		413,832	
	2010	84.002	45,478		201	
Total - Adult Basic Literacy Education			<u>381,434</u>		<u>414,033</u>	
Career and Technical Education - Basic Grants to States	2011	84.048	370,822		370,822	
	2010	84.048	5,703		0	
Total - Career and Technical Education - Basic Grants to States			<u>376,525</u>		<u>370,822</u>	
Improving Teacher Quality State Grants	2011	84.367	6,306		6,306	
<b>Total U.S. Department of Education</b>			<u><b>1,959,714</b></u>		<u><b>1,986,610</b></u>	
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<u><b>\$1,995,098</b></u>	<u><b>\$2,655</b></u>	<u><b>\$2,021,994</b></u>	<u><b>\$2,655</b></u>

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

**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – FEDERAL FAMILY EDUCATION LOAN PROGRAM**

The amount included on the Federal Awards Receipts and Expenditures Schedule represents new loans advanced during the fiscal year ended June 30, 2011. The Center is not a direct lender of Federal Family Education Loans (FFELs). The amount represents the value of new FFELs awarded and disbursed to the Center's students during the year as follows:

Federal Subsidized Stafford Loans	\$296,062
Federal Unsubsidized Stafford Loans	352,505
Total FFELs	<u>\$648,567</u>



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, (the Center) as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 5, 2012, wherein we noted the Center implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated January 5, 2012.

We intend this report solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and others within the Center. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 5, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Polaris Career Center (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Polaris Career Center's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center'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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Polaris Career Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801

Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



**Dave Yost**  
Auditor of State

January 5, 2012

**POLARIS CAREER CENTER  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Student Financial Assistance Cluster: Federal Pell Grant Program – CFDA #84.063 and Federal Family Education Loan – CFDA #84.032  Adult Basic Literacy Education – CFDA #84.002
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

POLARIS CAREER CENTER  
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Finding for Recovery	Yes	Corrected



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Polaris Career Center (the Center) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Center amended its anti-harassment policy at its meeting on December 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 5, 2012

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**POLARIS CAREER CENTER**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 26, 2012**