POLARIS CAREER CENTER
CUYAHOGA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

POLARIS CAREER CENTER
CUYAHOGA COUNTY

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Auditor of State
Betty Montgomery

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, 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 restated net assets in the governmental activities and the business-type activities due to capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006, 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.

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

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

Betty Montgomery

Betty Montgomery
Auditor of State

March 3, 2006

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, 2005. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The Center showed an increase in net assets of $631,143, or 4.7 percent during this year's operations. This status was accomplished primarily through controlling expenses through the elimination staffing through staff retirements and resignations.

- Total Center wide revenues were $17,250,931. This was a decrease of 5.7 percent from the prior year and was primarily attributed to the completion of a Federal Grant for which the district was Fiscal agent.

- Total program expenses were $16,619,788. This is a decrease of 13.3 percent due to a combination of the control of expenses and a end to the district being Fiscal agent of a Federal Grant.

- The Center has no outstanding debt.

- The Center's business - type activities are comprised of the Food Service program, the Uniform School Supplies program, Customer Service programs and the Adult and Community Education program. The Adult and Community Education operated without a General Fund Transfer for a second consecutive year.

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 2005?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

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

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

The Center as a Trustee

The Center is a trustee or fiduciary for several programs. These activities are presented as a private purpose trust fund. The Center also acts 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 2005 compared to 2004.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	$17,906,142	$16,185,025	$355,562	$215,552	$18,261,704	$16,400,577
Capital Assets, Net	6,540,887	6,932,201	153,912	173,703	6,694,799	7,105,904
Total Assets	24,447,029	23,117,226	509,474	389,255	24,956,503	23,506,481
Liabilities						
Current and Other Liabilities	9,191,478	8,703,275	158,074	110,346	9,349,552	8,813,621
Long Term Liabilities:						
Due Within One Year	372,204	372,802	100,112	91,916	472,316	464,718
Due in More than One Year	801,175	611,216	223,521	138,130	1,024,696	749,346
Total Liabilities	10,364,857	9,687,293	481,707	340,392	10,846,564	10,027,685
Net Assets						
Invested in Capital Assets	6,540,887	6,932,201	153,912	173,703	6,694,799	7,105,904
Restricted:						
Capital Projects	398,027	398,057	0	0	398,027	398,057
Set Asides	241,244	241,244	0	0	241,244	241,244
Other Purposes	76,763	99,358	0	0	76,763	99,358
Unrestricted (Deficit)	6,825,251	5,759,073	(126,145)	(124,840)	6,699,106	5,634,233
Total Net Assets	$14,082,172	$13,429,933	$27,767	$48,863	$14,109,939	$13,478,796

The Center was able to maintain its financial health while addressing stagnant revenues, slow federal reimbursements and rising health care and employee costs. Total assets increased primarily through controlling costs that resulted in an increase in the districts' cash balance. Liabilities were increased due to normal inflation on it's components. The overall net assets improved by 4.7 percent.

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

Since this is the third year the Center has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2005 are available.

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for Services	$177,511	$170,824	$2,726,992	$2,950,361	$2,904,503	$3,121,185
Operating Grants	768,904	1,753,382	430,483	459,122	1,199,387	2,212,504
Total Program Revenues	946,415	1,924,206	3,157,475	3,409,483	4,103,890	5,333,689
General Revenues:						
Property Taxes	9,263,524	9,557,255	0	0	9,263,524	9,557,255
Grant and Entitlements	3,481,925	3,054,685	0	0	3,481,925	3,054,685
Interest	208,019	72,061	0	0	208,019	72,061
Other	144,614	247,540	48,959	33,302	193,573	280,842
Total General Revenues	13,098,082	12,931,541	48,959	33,302	13,147,041	12,964,843
Total Revenues	14,044,497	14,855,747	3,206,434	3,442,785	17,250,931	18,298,532
Program Expenses						
Instruction:						
Regular	0	61,238	0	0	0	61,238
Vocational	6,021,513	6,177,558	0	0	6,021,513	6,177,558
Adult/Continuing	103,246	92,361	0	0	103,246	92,361
Support Services:						
Pupils	1,523,644	1,703,096	0	0	1,523,644	1,703,096
Instructional Staff	1,536,604	1,598,098	0	0	1,536,604	1,598,098
Board of Education	120,478	118,035	0	0	120,478	118,035
Administration	500,186	902,031	0	0	500,186	902,031
Fiscal	598,045	683,201	0	0	598,045	683,201
Business	235,970	253,884	0	0	235,970	253,884
Operation and Maintenance of Plant	1,662,847	1,769,736	0	0	1,662,847	1,769,736
Pupil Transportation	18,814	18,885	0	0	18,814	18,885
Central	986,205	1,311,367	0	0	986,205	1,311,367
Extracurricular Activities	29,056	22,651	0	0	29,056	22,651
Intergovernmental	0	815,667	0	0	0	815,667
Food Service	0	0	222,032	212,465	222,032	212,465
Uniform School	0	0	92,524	77,262	92,524	77,262
Customer Services	0	0	208,245	180,695	208,245	180,695
Adult and Community Education	0	0	2,760,379	3,177,042	2,760,379	3,177,042
Total Expenses	13,336,608	15,527,808	3,283,180	3,647,464	16,619,788	19,175,272
Increaser (Decrease) in Net Assets before Transfers	707,889	(672,061)	(76,746)	(204,679)	631,143	(876,740)
Transfers	(55,650)	(60,164)	55,650	60,164	0	0
Increases (Decreases) in Net Assets	652,239	(732,225)	(21,096)	(144,515)	631,143	(876,740)
Net Assets Beginning of Year	13,429,933	14,162,158	48,863	193,378	13,478,796	14,355,536
Net Assets End of Year	$14,082,172	$13,429,933	$27,767	$48,863	$14,109,939	$13,478,796

Analysis of Overall Financial Position and Results of Operation

The financial position of the Center has improved primarily due to an administrative plan to abandon some expenses that are partially allocated to new areas. The reduction of two senior administrative positions and the reorganization of staff positions through attrition reduced overall staffing costs. A historical trend to underspend appropriations intensified and resulted in reducing discretionary spending. That more than offset 2 percent negotiated raises. Medical premiums increases were one-tenth of normal trending. The overall result is a 13.3 percent decrease in expenditures while the revenues decreased by only 5.7 percent.

Revenues growth was primarily due to inflation on tax collections based on increased assessed valuation with the district at the statutory 2 mill floor for Career Centers. It was more than offset by the reduction revenues due to no longer being the fiscal agent for the federal grant.

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 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Instruction				
Regular	$0	$0	$61,238	($9,225)
Vocational	6,021,513	(5,509,648)	6,177,558	(5,658,507)
Adult/Continuing	103,246	24,786	92,361	27,424
Support Services:				
Pupil	1,523,644	(1,343,022)	1,703,096	(1,460,715)
Instructional Staff	1,536,604	(1,490,121)	1,598,098	(1,504,149)
Board of Education	120,478	(120,478)	118,035	(118,035)
Administration	500,186	(500,186)	902,031	(881,669)
Fiscal	598,045	(598,045)	683,201	(683,201)
Business	235,970	(235,970)	253,884	(253,884)
Operation and Maintenance of Plant	1,662,847	(1,658,947)	1,769,736	(1,766,085)
Pupil Transportation	18,814	(18,814)	18,885	(18,885)
Central	986,205	(910,692)	1,311,367	(1,254,020)
Extracurricular	29,056	(29,056)	22,651	(22,651)
Intergovernmental	0	0	815,667	0
Total Expenditures	$13,336,608	($12,390,193)	$15,527,808	($13,603,602)

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 $13,613,676 a decrease of 9.9 percent from the prior year and expenditures of $12,656,204 which were 7.5 percent below the prior year. The net change in fund balance for the year was increased in 2005 by 12.9 percent. Balances are expected to be drawn down during the next 5 years projection as inflation on expenses will exceed the every third year growth in tax collections due to the 2 mill floor.

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 2005, the Center amended its general fund budget monthly as defined by individual team needs. The Center uses electronic budgeting process to submit requests for inclusion in the June appropriation submission to the Board. Because of that early adoption of appropriations prior to completion of staffing levels, FY 2005 Appropriation were underspent as the districts reallocation of resources resulted in multiple staff reductions, the health benefit renewal came in at approximately 1 percent (vs 10 percent budgeted) and administration controls on approving requisitions tightened. Therefore the original General Fund appropriations of $13,240,564 were increased to $14,166,118 and were actually expended at only $12,139,056 resulting in underspending final appropriations by 14.3 percent.

Capital Assets

At the end of fiscal 2005 the Center had $6,594,799 invested in land, buildings, equipment, and vehicles; $6,540,887 in governmental activities. Table 4 shows fiscal 2005 balances compared to 2004.

(Table 4)
Capital Assets at June 30, 2005
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	$261,490	$261,490	$0	$0	$261,490	$261,490
Buildings and Improvements	4,507,235	4,734,760	0	0	4,507,235	4,734,760
Furniture and Equipment	1,735,538	1,888,747	153,912	173,703	1,889,450	2,062,450
Vehicles	36,624	47,204	0	0	36,624	47,204
Total	$6,540,887	$6,932,201	$153,912	$173,703	$6,694,799	$7,105,904

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

Center Outlook

Most of the Center's efforts are focused on controlling expenses. Reduction of capital purchases and staffing are first priorities with negotiations in Fiscal Year 2005 critical to containing staff compensation and fringe benefits. The recent membership in a multi-Center health consortium has held rate increases to below trends in health care.

Because the Center is at the 2 mill floor for Career Center operations it receives regular tax revenue growth every third year. That growth has slowed recently. Until it increases or investment income improves the key to the future is in controlling costs. Fiscal year 2005 was successful in balancing of revenues and expenditures due to controlling the number of staff members employed.

Contacting the Center's Financial Management

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

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Polaris Career Center

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$8,055,252	$338,535	$8,393,787
Accounts Receivable	0	5,317	5,317
Intergovernmental Receivable	101,602	0	101,602
Accrued Interest Receivable	8,125	0	8,125
Internal Balances	(4,890)	4,890	0
Inventory Held for Resale	0	6,820	6,820
Materials and Supplies Inventory	24,592	0	24,592
Property Taxes Receivable	9,721,461	0	9,721,461
Nondepreciable Capital Assets	261,490	0	261,490
Depreciable Capital Assets, Net	6,279,397	153,912	6,433,309
Total Assets	24,447,029	509,474	24,956,503
Liabilities			
Accounts Payable	8,824	3,355	12,179
Accrued Wages Payable	871,228	124,819	996,047
Matured Compensated Absences Payable	28,442	0	28,442
Intergovernmental Payable	145,262	29,900	175,162
Deferred Revenue	8,053,860	0	8,053,860
Matured Interest Payable	250	0	250
Claims Payable	83,612	0	83,612
Long-Term Liabilities:			
Due Within One Year	372,204	100,112	472,316
Due In More Than One Year	801,175	223,521	1,024,696
Total Liabilities	10,364,857	481,707	10,846,564
Net Assets			
Invested in Capital Assets	6,540,887	153,912	6,694,799
Restricted for:			
Capital Projects	398,027	0	398,027
Set Asides	241,244	0	241,244
Other Purposes	76,763	0	76,763
Unrestricted (Deficit)	6,825,251	(126,145)	6,699,106
Total Net Assets	$14,082,172	$27,767	$14,109,939

See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Activities

For the Fiscal Year Ended June 30, 2005

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Vocational	$6,021,513	$173,611	$338,254
Adult/Continuing	103,246	0	128,032
Support Services:			
Pupil	1,523,644	0	180,622
Instructional Staff	1,536,604	0	46,483
Board of Education	120,478	0	0
Administration	500,186	0	0
Fiscal	598,045	0	0
Business	235,970	0	0
Operation and Maintenance of Plant	1,662,847	3,900	0
Pupil Transportation	18,814	0	0
Central	986,205	0	75,513
Extracurricular Activities	29,056	0	0
Total Governmental Activities	13,336,608	177,511	768,904
Business-Type Activities			
Food Service Operations	222,032	107,051	28,111
Uniform School Supplies	92,524	77,621	0
Customer Services	208,245	197,092	0
Adult and Community Education	2,760,379	2,345,228	402,372
Total Business-Type Activities	3,283,180	2,726,992	430,483
Totals	$16,619,788	$2,904,503	$1,199,387

General Revenues

Property Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
($5,509,648)	$0	($5,509,648)
24,786	0	24,786
(1,343,022)	0	(1,343,022)
(1,490,121)	0	(1,490,121)
(120,478)	0	(120,478)
(500,186)	0	(500,186)
(598,045)	0	(598,045)
(235,970)	0	(235,970)
(1,658,947)	0	(1,658,947)
(18,814)	0	(18,814)
(910,692)	0	(910,692)
(29,056)	0	(29,056)
(12,390,193)	0	(12,390,193)
0	(86,870)	(86,870)
0	(14,903)	(14,903)
0	(11,153)	(11,153)
0	(12,779)	(12,779)
0	(125,705)	(125,705)
(12,390,193)	(125,705)	(12,515,898)
9,263,524	0	9,263,524
3,481,925	0	3,481,925
208,019	0	208,019
144,614	48,959	193,573
13,098,082	48,959	13,147,041
(55,650)	55,650	0
13,042,432	104,609	13,147,041
652,239	(21,096)	631,143
13,429,933	48,863	13,478,796
$14,082,172	$27,767	$14,109,939

Polaris Career Center
Balance Sheet
Governmental Funds
June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$6,972,200	$410,800	$7,383,000
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	241,244	0	241,244
Property Taxes Receivable	9,721,461	0	9,721,461
Accrued Interest Receivable	8,125	0	8,125
Interfund Receivable	121,950	0	121,950
Intergovernmental Receivable	0	101,602	101,602
Materials and Supplies Inventory	24,592	0	24,592
Total Assets	$17,089,572	$512,402	$17,601,974
Liabilities			
Accounts Payable	$8,570	$254	$8,824
Accrued Wages and Benefits	869,804	1,424	871,228
Intergovernmental Payable	141,843	3,419	145,262
Deferred Revenue	8,516,811	76,996	8,593,807
Interfund Payable	0	79,670	79,670
Matured Interest Payable	0	250	250
Matured Compensated Absences Payable	28,442	0	28,442
Total Liabilities	9,565,470	162,013	9,727,483
Fund Balances			
Reserved for Encumbrances	217,304	11,142	228,446
Reserved for Property Taxes	1,177,740	0	1,177,740
Reserved for Budget Stabilization	241,244	0	241,244
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	5,887,814	0	5,887,814
Special Revenue Funds	0	(58,780)	(58,780)
Capital Projects Funds	0	398,027	398,027
Total Fund Balances	7,524,102	350,389	7,874,491
Total Liabilities and Fund Balances	$17,089,572	$512,402	$17,601,974

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, 2005

Total Governmental Funds Balances		$7,874,491
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.		6,540,887
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	462,951	
Grants	76,996	
Total		539,947
Long-term liabilities such as compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(1,173,379)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the statement of net assets.		347,396
An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities		(47,170)
Net Assets of Governmental Activities		$14,082,172

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, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	$8,850,698	$0	$8,850,698
Intergovernmental	3,481,925	750,909	4,232,834
Interest	208,019	0	208,019
Tuition and Fees	173,611	0	173,611
Rentals	3,900	0	3,900
Miscellaneous	144,614	0	144,614
Total Revenues	12,862,767	750,909	13,613,676
Expenditures			
Current:			
Instruction:			
Vocational	5,093,269	346,946	5,440,215
Adult/Continuing	0	103,882	103,882
Support Services:			
Pupil	1,283,197	191,725	1,474,922
Instructional Staff	1,391,966	71,473	1,463,439
Board of Education	120,478	0	120,478
Administration	463,210	2,322	465,532
Fiscal	583,072	0	583,072
Business	230,343	0	230,343
Operation and Maintenance of Plant	1,622,281	0	1,622,281
Pupil Transportation	18,814	0	18,814
Central	873,996	106,853	980,849
Extracurricular Activities	29,056	0	29,056
Capital Outlay	123,321	0	123,321
Total Expenditures	11,833,003	823,201	12,656,204
Excess of Revenues Over (Under) Expenditures	1,029,764	(72,292)	957,472
Other Financing Uses			
Transfers Out	(55,650)	0	(55,650)
Net Change in Fund Balances	974,114	(72,292)	901,822
Fund Balances Beginning of Year	6,549,988	422,681	6,972,669
Fund Balances End of Year	$7,524,102	$350,389	$7,874,491

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, 2005

Net Change in Fund Balances - Total Governmental Funds		$901,822
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	255,668	
Depreciation	(604,312)	
Total		(348,644)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(42,670)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	412,826	
Grants	17,995	
Total		430,821
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represents contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(189,361)	
Pension Obligation	10,601	
Total		(178,760)
Internal service fund used by manangement to charge the cost of insurance to individual funds is not reported in the expenditures and related internal service fund revenue is eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(110,330)
Change in Net Assets of Governmental Activities		$652,239

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, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$8,986,638	$8,964,152	$9,109,632	$145,480
Intergovernmental	3,434,913	3,426,319	3,481,925	55,606
Interest	173,633	173,198	176,009	2,811
Tuition and Fees	171,267	170,838	173,611	2,773
Rentals	3,847	3,838	3,900	62
Miscellaneous	258,064	257,418	261,766	4,348
Total Revenues	13,028,362	12,995,763	13,206,843	211,080
Expenditures				
Current:				
Instruction:				
Vocational	5,564,518	5,953,493	5,030,713	922,780
Support Services:				
Pupil	1,441,394	1,542,151	1,297,164	244,987
Instructional Staff	1,517,011	1,623,054	1,369,134	253,920
Board of Education	134,351	143,742	132,452	11,290
Administration	575,476	615,704	519,152	96,552
Fiscal	657,939	703,931	592,660	111,271
Business	251,974	269,588	228,247	41,341
Operation and Maintenance of Plant	1,791,095	1,916,298	1,620,938	295,360
Pupil Transportation	21,485	22,986	20,601	2,385
Central	968,658	1,036,370	897,919	138,451
Extracurricular Activities	30,960	33,125	27,857	5,268
Capital Outlay	135,308	144,768	266,899	(122,131)
Total Expenditures	13,090,169	14,005,210	12,003,736	2,001,474
Excess of Revenues Over (Under)Expenditures	(61,807)	(1,009,447)	1,203,107	2,212,554
Other Financing Sources (Uses)				
Advances In	30,993	30,915	31,247	332
Advances Out	(88,545)	(94,735)	(79,670)	15,065
Transfers Out	(61,850)	(66,173)	(55,650)	10,523
Total Other Financing Sources (Uses)	(119,402)	(129,993)	(104,073)	25,920
Net Change in Fund Balance	(181,209)	(1,139,440)	1,099,034	2,238,474
Fund Balance Beginning of Year	5,866,411	5,866,411	5,866,411	0
Prior Year Encumbrances Appropriated	150,509	150,509	150,509	0
Fund Balance End of Year	$5,835,711	$4,877,480	$7,115,954	$2,238,474

See accountant's compilation report
See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities - Internal Service Fund
Assets				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	$226,205	$112,330	$338,535	$431,008
Accounts Receivable	5,175	142	5,317	0
Inventory Held for Resale	0	6,820	6,820	0
Total Current Assets	231,380	119,292	350,672	431,008
Noncurrent Assets				
Depreciable Capital Assets, Net	116,253	37,659	153,912	0
Total Assets	347,633	156,951	504,584	431,008
Liabilities				
Current Liabilities				
Accounts Payable	3,095	260	3,355	0
Accrued Wages Payable	120,485	4,334	124,819	0
Intergovernmental Payable	21,433	8,467	29,900	0
Interfund Payable	0	42,280	42,280	0
Claims Payable	0	0	0	83,612
Compensated Absences Payable	95,670	4,442	100,112	0
Total Current Liabilities	240,683	59,783	300,466	83,612
Long-Term Liabilities				
Compensated Absences Payable	213,962	9,559	223,521	0
Total Liabilities	454,645	69,342	523,987	83,612
Net Assets				
Invested in Capital Assets	116,253	37,659	153,912	0
Unrestricted (Deficit)	(223,265)	49,950	(173,315)	347,396
Total Net Assets (Deficit)	($107,012)	$87,609	(19,403)	$347,396
Net assets reported for business-type activities in the statement of net assets is different because their share of internal service fund assets and liabilities is included .			47,170	
Net assets of business-type activities			$27,767	

See accountant's compilation report
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, 2005

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities Internal Service Fund
Operating Revenues				
Charges for Services	$25,258	$381,622	$406,880	$341,400
Tuition and Fees	2,319,970	142	2,320,112	0
Miscellaneous	3,588	45,371	48,959	0
Total Operating Revenues	2,348,816	427,135	2,775,951	341,400
Operating Expenses				
Salaries	2,093,452	109,109	2,202,561	0
Fringe Benefits	160,956	37,105	198,061	0
Purchased Services	188,287	838	189,125	12,214
Materials and Supplies	277,846	296,989	574,835	0
Cost of Goods Sold	0	70,155	70,155	0
Depreciation	22,473	2,990	25,463	0
Claims Expense	0	0	0	456,851
Other	787	3,392	4,179	0
Total Operating Expenses	2,743,801	520,578	3,264,379	469,065
Operating Loss	(394,985)	(93,443)	(488,428)	(127,665)
Non-Operating Revenues/Expenses				
Grants	402,372	28,111	430,483	0
Loss on Sale of Capital Assets	(1,466)	0	(1,466)	0
Loss Before Transfers	5,921	(65,332)	(59,411)	(127,665)
Transfers In	0	55,650	55,650	0
Change in Net Assets	5,921	(9,682)	(3,761)	(127,665)
Net Assets (Deficit) Beginning of Year- Restated (See Note 3)	(112,933)	97,291		475,061
Net Assets (Deficit) End of Year	($107,012)	$87,609		$347,396
Some amounts reported for business-type activities in the statement of activities are different because their share of the change in internal service fund assets and liabilities is included.			(17,335)	
Change in net assets of business-type activities			($21,096)	

See accountant's compilation report
See accompanying notes to the basic financial statements

Polaris Career Center

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$2,445,542	$386,125	$2,831,667	$0
Cash Received from Interfund Services	0	0	0	341,400
Cash Received from Other Operating Revenues	3,588	40,868	44,456	0
Cash Payments to Suppliers for Goods and Services	(461,382)	(359,364)	(820,746)	(12,214)
Cash Payments to Employees for Services	(1,783,273)	(92,346)	(1,875,619)	0
Cash Payments for Employee Benefits	(424,947)	(42,799)	(467,746)	0
Cash Payments for Claims	0	0	0	(455,288)
Cash Payments for Other Operating Expenses	(787)	(3,392)	(4,179)	0
Net Cash Used for Operating Activities	(221,259)	(70,908)	(292,167)	(126,102)
Cash Flows from Noncapital Financing Activities				
Grants	402,372	20,954	423,326	0
Transfers In	0	55,650	55,650	0
Net Cash Provided by Noncapital Financing Activities	402,372	76,604	478,976	0
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(7,554)	(1,243)	(8,797)	0
Net Increase (Decrease) in Cash and Cash Equivalents	173,559	4,453	178,012	(126,102)
Cash and Cash Equivalents Beginning of Year	52,646	107,877	160,523	557,110
Cash and Cash Equivalents End of Year	$226,205	$112,330	$338,535	$431,008

(continued)

Polaris Career Center

Statement of Cash Flows

Proprietary Funds (continued)

For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			
	Adult and Community Education	All Other Non-Major Enterprise	Total	Governmental Activities Internal Service Fund
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:				
Operating Loss	($394,985)	($93,443)	($488,428)	($127,665)
Adjustments:				
Depreciation	22,473	2,990	25,463	0
Loss on Disposal of Capital Assets	1,659	0	1,659	0
(Increase)/Decrease in Assets:				
Accounts Receivable	22,472	(142)	22,330	0
Inventory Held for Resale	0	5,494	5,494	0
Increase/(Decrease) in Liabilities:				
Accounts Payable	2,856	260	3,116	0
Accrued Wages Payable	63,409	2,762	66,171	0
Compensated Absences Payable	83,000	6,247	89,247	0
Intergovernmental Payable	(22,143)	4,924	(17,219)	0
Claims Payable	0	0	0	1,563
Total Adjustments	173,726	22,535	196,261	1,563
Net Cash Used for Operating Activities	($221,259)	($70,908)	($292,167)	($126,102)

Noncash Activities

The Food Service Fund received $7,157 in federal subidies.

See accountant's compilation report

See accompanying notes to the basic financial statements

Polaris Career Center
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Special Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$10,064	$53,427
Liabilities		
Due to Students	0	$53,427
Net Assets		
Held in Trust for Scholarships	$10,064	

See accountant's compilation report
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, 2005

	Special Trust
Additions	
Interest	$20
Deductions	
Scholarships Awarded	1,050
Change in Net Assets	(1,030)
Net Assets Beginning of Year	11,094
Net Assets End of Year	$10,064

See accountant's compilation report
See accompanying notes to the basic financial statements

Note 1 - Description of the Center and Reporting Entity

The Polaris Career Center (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The Center operates under a Board of Education consisting of seven members which is comprised of one member from each of the participating school districts that serve a two year term and one rotating member picked by the member School Districts to serve a one year term. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City School District, Olmsted Falls City School District, and Strongsville City School District are the member districts. The Center employs 9 administrative and supervisory personnel, 58 certified employees and 69 non-certificated employees who provide services to 542 students and other community members.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center's only trust fund is a private purpose trust which accounts for a program that provides 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 funds are funds due to students.

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Process

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

F. Cash and Investments

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

During fiscal year 2005, investments were limited to Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, STAROhio and a repurchase agreement.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to $208,019 which includes $11,039 assigned from other Center funds.

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either 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 to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports $716,034 of restricted net assets, $639,271 of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for adult basic education and vocational education.

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

N. Fund Balance Reserves

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

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

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

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

A. Changes in Accounting Principles

For fiscal year 2005, the Center has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 had no material effect on the financial statements of the Center.

B. Restatement of Net Assets

The overstatement of capital assets had the following effects on net assets.

	Adult and Community Education	All Other Non-Major	All Entrprise Funds
Net Assets, June 30, 2004	($85,728)	$120,900	$35,172
Capital Asset Adjustments	(27,205)	(23,609)	(50,814)
Adjusted Net Assets, June 30, 2004	($112,933)	$97,291	($15,642)

	Governmental Activities	Business-Type Activities
Net Assets, June 30, 2004	$15,119,872	$99,677
Capital Asset Adjustments	(1,689,939)	(50,814)
Adjusted Net Assets, June 30, 2004	$13,429,933	$48,863

Note 4 – Compliance and Accountability

A. Compliance

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

	Final Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
Mangagment Information Systems	9,000	12,273	3,273
Drug Free School	2,016	2,072	56
Miscellaneous Federal Grants	44,135	106,362	62,227
Interactive Video Distance Learning	0	30	30
Enterprise Fund			
Food Service	201,145	201,653	508

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

Also, contrary to Ohio Revised Code Section 5705.39, the following fund had final appropriations in excess of certified available resources.

	Final Revenues Plus Carryover Balances	Final Appropriations	Excess
Title V Special Revenue Fund	$4,800	$5,655	$855

Although the budgetary violation was not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

B. Accountability

Fund balances at June 30, 2005, included the following individual fund deficits:

Special Revenue Funds:	
Management Information Systems	$18
Entry Year Programs	4
SchoolNet Professional Development	7
Vocational Education Enhancement	133
Adult Basic Education	10,464
Miscellaneous Federal Grants	47,895
Enterprise Fund:	
Adult and Community Education	107,012

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

Note 5 - Budgetary Basis of Accounting

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

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

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

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

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

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.

Net Change in Fund Balance

GAAP Basis	$974,114
Net Adjustment for Revenue Accruals	390,045
Advances In	31,247
Beginning Fair Value Adjustment for Investments	(34,927)
Ending Fair Value Adjustment for Investments	(11,042)
Net Adjustment for Expenditure Accruals	54,951
Advances Out	(79,670)
Encumbrances	(225,684)
Budget Basis	$1,099,034

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 or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;

7. The State Treasurer's investment pool (STAR Ohio).

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, \$2,055,241 of the Center's bank balance of \$2,163,706 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment 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

As of June 30, 2005, the Center had the following investments:

Investment Type	Carrying and Fair Value	Investment Maturities (in Years) Less than 1	1-2
Repurchase Agreement			
Federal National Mortgage Association Notes	$180,000	$180,000	$0
Federal Home Loan Mortgage Corporation Notes	370,000	370,000	0
Federal National Mortgage Association Notes	1,990,054	1,990,054	0
Federal Home Loan Mortgage Corporation Notes	2,476,469	976,469	1,500,000
Federal Home Loan Bank Notes	996,719	996,719	0
STAROhio	499,690	499,690	0
Total Investments	$6,512,932	$5,012,932	$1,500,000

All investments are in an internal investment pool.

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 2 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 date of settlement if it bears interest at a variable rate.

Credit Risk. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of AAA by Fitch. The securities underlying the repurchase agreement had a credit risk of AAA by Fitch. STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Center has no investment policy that would further limit its investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent. The Center has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The Center places no limit on the amount it may invest in any one issuer. The following is the Center's allocation as of June 30, 2005:

Investment Issuer	Percentage of Investments
Repurchase Agreements	8.44 %
Federal National Mortgage Association Notes	30.56 %
Federal Home Loan Mortgage Corporation Notes	38.03 %
Federal Home Loan Bank Notes	15.30 %
STAROhio	7.67 %

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the Center's taxing districts. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Center prior to June 30. The Center did not receive their settlement until after June 30, this year.

The Center receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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, 2005 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 $1,177,740 at June 30, 2005 and $1,463,584 at June 30, 2004. The difference was in timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agriculture/Residential and other Real Estate	$4,411,853,280	89.05%	$4,482,972,100	89.20%
Public Utility Personal	122,313,760	2.47	122,016,090	2.43
Tangible Personal Property	420,345,199	8.48	420,787,536	8.37
	$4,954,512,239	100.00%	$5,025,775,726	100.00%
Tax Rate per $1,000 of assessed valuation	$2.40		$2.40	

Note 8 – Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of intergovernmental receivables follows:

Adult Eductaion	$76,996
Vocational Education	24,606
Total	$101,602

Note 9 - Risk Management

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the Center contracted with Marsh Insurance for property, crime, inland marine, and automobile coverage. The primary deductibles are $1,000 for property, $1,000 for inland marine and $500 for automobile.

The Center participates in the Ohio School Plan (Plan), an insurance purchasing pool (Note 17). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. This program consists of coverage limits of $2,000,000 per occurrence, $4,000,000 annual aggregate on General Liability exposures and $1,000,000 per occurrence, $1,000,000 annual aggregate on Education Legal Liability.

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

B. Bonding

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

C. Workers' Compensation

For fiscal year 2005, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

D. Self-Insurance

The Center offers vision, drug card and dental benefits to all eligible employees and their dependants through a self-insurance internal service fund. The Center is self-insured with Klais & Company serving as third-party administrator. The claims liability of $83,612 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claim liability amount in fiscal years 2004 and 2005 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2004	$58,037	$431,758	$407,746	$82,049
2005	82,049	456,851	455,288	83,612

E. Employee Health Benefits

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

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

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 6/30/04	Additions	Reductions	Balance 6/30/05
Governmental Activities:				
Capital assets not being depreciated				
Land	$261,490	$0	$0	$261,490
Capital assets being depreciated				
Buildings and Improvements	12,124,052	0	0	12,124,052
Furniture and Equipment	4,733,701	255,668	(132,622)	4,856,747
Vehicles	274,954	0	0	274,954
Total capital assets being depreciated	17,132,707	255,668	(132,622)	17,255,753
Accumulated depreciation				
Buildings	(7,389,292)	(227,525)	0	(7,616,817)
Furniture and Equipment	(2,844,954)	(366,207)	89,952	(3,121,209)
Vehicles	(227,750)	(10,580)	0	(238,330)
Total accumulated depreciation	(10,461,996)	(604,312) *	89,952	(10,976,356)
Capital assets being depreciated, net	6,670,711	(348,644)	(42,670)	6,279,397
Governmental activities capital assets, net	$6,932,201	($348,644)	($42,670)	$6,540,887
Business-type activities:				
Equipment	$535,080	$7,138	($6,055)	$536,163
Accumulated depreciation				
Equipment	(361,377)	(25,463) **	4,589	(382,251)
Business-type activities capital assets, net	$173,703	($18,325)	($1,466)	$153,912

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	$530,879
Support Services:	
Pupil	568
Instructional Staff	12,988
Administration	2,303
Fiscal	2,908
Business	299
Operation and Maintenance of Plant	11,532
Central	42,835
Total Depreciation Expense	$604,312

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

Food Service	$2,990
Adult and Community Education	22,473
Total Depreciation Expense	$25,463

Note 11 - Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were $304,623, $300,690, and $266,385 respectively; 97.62 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004 and 2003 were $813,258, $865,448, and $804,175 respectively; 88.08 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were $10,592 made by the Center and $10,088 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

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

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Center, this amount equaled $62,558 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was $3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at $27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Center, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled $119,720.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, (the latest information available), were $223,443,805 and the target level was $335.2 million. At June 30, 2004, (the latest information available), SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 13 - Other Employee Benefits

A. Vacation Leave

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

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

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

B. Sick Leave

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

C. Retirement Severance Pay

Certified Employees

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

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

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

Classified Employees

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

Note 14 - Long-term Obligations

The changes in the Center's long-term obligations during fiscal year 2005 were as follows:

	Outstanding 06/30/04	Additions	Reductions	Outstanding 06/30/05	Amount Due in One Year
Governmental Activities					
Compensated Absences	$984,018	$301,890	$112,529	$1,173,379	$372,204
Business-Type Activities					
Compensated Absences	$230,046	$93,587	$0	$323,633	$100,112

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 $452,319,815 with an unvoted debt margin of $5,025,776 at June 30, 2005.

Note 15 - Contingencies

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2005.

B. Litigation

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

Note 16 - Jointly Governed Organization

Ohio Schools' Council Association - The Center participates in the Ohio Schools' Council Association (Council), a jointly governed organization that was formed to bring quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying and annual participation fee. The Council's Governing Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any Center is limited to its representation of the Board. In fiscal year 2005 the Center paid $800 to the Council. Financial information can be obtained by contacting David A. Contrell, the Executive Secretary/Treasurer at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

In 1997, Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued $119,140,000 in debt to purchase eight years of electricity from the Cleveland Electric Illuminating (CEI) Company for participants. The participating school districts are not obligated in any manner for this debt. If a participating school districts terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining pre-payment related to that participant to Energy Acquisition Corp.

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

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

Note 17 – Public Entity Risk Pools

A. 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.

B. Ohio School Plan

The Center participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provided risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member Board of directors consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. Hylant Group, Inc. is the Plan's Administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. serves as the sales and marketing representative, which establishes agreements between the Plan and members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

C. 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 school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts/centers, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, nor further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Note 18 - 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, 2005, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbook Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2004	$241,244	$0	($1,711,043)
Current Year Set-aside Requirement	0	82,287	82,287
Qualifying Disbursements	0	(121,745)	(504,915)
Totals	$241,244	($39,458)	($2,133,671)
Set-aside Balance Carried Forward to Future Fiscal Years	$241,244	$0	($2,133,671)
Set-aside Reserve Balance as of June 30, 2005	$241,244	$0	$0

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

Note 19 - Interfund Transactions

A. Interfund Transfers

Transfers made during the year ended June 30, 2005 were as follows:

	Transfers From
Transfers To	General
Enterprise Funds:	
Food Service	$53,172
Uniform School Supplies	2,478
Total	$55,650

The transfers from the General Fund to the Food Service Fund and Uniform School Supplies Fund were to cover the difference in revenue and expenses.

B. Interfund Balances

Interfund Payable	Interfund Receivable General
Nonmajor Governmental Funds:	
Adult Basic Education	$7,068
Vocational Education	24,848
Miscellaneous Federal Grants	47,754
Total Nonmajor Governmental	79,670
Enterprise Fund:	
Customer Services	42,280
Grand Total	$121,950

Interfund receivables and payables are due to the timing of the receipt of grant monies and fees received by the various funds. The general fund advanced monies to those funds to cover costs. All advances, except the advance to Customer Services is expected to be repaid within one year.

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POLARIS CAREER CENTER
CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR *Pass Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
Passed Through the Ohio Department of Education						
Nutrition Cluster:						
Food Distribution	N/A	10.550	$0	$7,157	$0	$7,157
National School Breakfast Program	050948-05PU-2004	10.553	509	0	509	0
	050948-05PU-2005	10.553	1,919	0	1,919	0
			2,428	0	2,428	0
National School Lunch Program	050948-LLP-2004	10.555	3,777	0	3,777	0
	050948-LLP-2005	10.555	14,008	0	14,008	0
			17,785	0	17,785	0
Total U.S. Department of Agriculture - Nutrition Cluster			**20,213**	**7,157**	**20,213**	**7,157**
U.S. Department of Education						
Direct Programs						
Pell Grant	P063PO34252	84.063	92,074	0	89,443	0
Technology Innovation Challenge Grant - Alliance Grant	R303A980063	84.303A	0	0	14,111	0
Total Direct Payment Programs			92,074	0	103,554	0
Passed Through the Stevens Institute of Technology						
PT3 Grant 2004 (formally Alliance Grant)	599-9304	84.342A	71,012	0	92,247	0
Passed Through the Ohio Department of Education						
Workforce Investment Act	050948-WFHS-2004	17.258	4,500	0	0	0
Innovative Education Program Strategy	050948-C2S1-2004	84.298	0	0	900	0
	050948-C2S1-2005	84.298	3,627	0	3,627	0
			3,627	0	4,527	0
Safe and Drug Free Schools	050948-DRS1-2005	84.186	2,072	0	2,072	0
Vocational Education						
Basic Grants to States	050948-20C1-2005	84.048	281,618	0	293,867	0
	050948-20C2-2004	84.048	0	0	849	0
	050948-20C1-2004	84.048	0	0	6,500	0
	050948-20A0-2004	84.048	0	0	2,511	0
	050948-20C2-2005	84.048	171,968	0	173,641	0
Total Basic Grants to States			453,586	0	477,368	0
Adult Basic Literacy Education	050948-ABS1-2003-C	84.002	6,279	0	6,279	0
	050948-ABS1-2004	84.002	46,257	0	49,428	0
	050948-ABS1-2005	84.002	3,781	0	0	0
	050948-ABS2-2004	84.002	12,744	0	20,702	0
	050948-ABS2-2005	84.002	23,725	0	24,285	0
Total Adult Basic Literacy Education			92,786	0	100,694	0
Total Vocational Education			546,372	0	578,062	0
Title II-A Improving Teacher Quality	050948-TRS1-2004	84.367	0	0	298	0
	050948-TRS1-2005	84.367	3,520	0	3,519	0
			3,520	0	3,817	0
American Resource Network Grant	0E00-04	84.346	0	0	3	0
Total Passed Through the Ohio Department of Education			560,091	0	588,481	0
Total U.S. Department of Education			**723,177**	**0**	**784,282**	**0**
Total Federal Assistance			**$743,390**	**$7,157**	**$804,495**	**$7,157**

The accompanying notes are an integral part of this schedule.

POLARIS CAREER CENTER
CUYAHOGA COUNTY
JUNE 30, 2005

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) summarizes the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2005, the Center had no significant food commodities in inventory.

NOTE C - NATIONAL SCHOOL BREAKFAST PROGRAM AND NATIONAL SCHOOL LUNCH PROGRAM

Federal monies received by the District for these programs are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Career Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2005, which collectively comprise the Center's basic financial statements and have issued our report thereon dated March 3, 2006, wherein we noted the Center restated net assets in the governmental activities and business type activities due to capital assets, as described in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated March 3, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Center's management dated March 3, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

Betty Montgomery
Auditor of State

March 3, 2006

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Polaris Career Center, Cuyahoga County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Polaris Career Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In a separate letter to the Center's management dated March 3, 2006, we reported other matters related to noncompliance we deem immaterial.

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

Betty Montgomery

Betty Montgomery
Auditor of State

March 3, 2006

POLARIS CAREER CENTER
CUYAHOGA COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	84.048 Vocational Education Basic Grants to States (Carl D. Perkins)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Auditor of State
Betty Montgomery

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POLARIS CAREER CENTER

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 4, 2006